No. 35,743

Saddam Puts

At 'Precipice,'

By Jonathan Gage

United Natinns secretary-general, Koft

Annan, said Friday that "force may have to be used as a last resort" in the confrontation with Saddam Hussein be-

cause the Iraqi president "may not have any intention" of cooperating with UN

In an interview in Davns, Switzer-

land, where he is attending a meeting of

world economic leaders, the secretary-

general said it was "foolhardy" nf Mr.

Saddam to "sustain this position" of refusing access to UN inspectors.

change its mind," Mr. Annan said, and

flow the inspectors into Iraqi sites in

France warns Iraq it faces "very grave consequences." Page 5.

their search for weapons of mass de-

Iraqi people, who have gone through considerable suffering and pain, that he

will not put them through anything nf

this sort again. He has made mistakes before and I hope he would avoid it this

But he added, "If they dnn't co-operate, there may be developments and consequences that they will find dif-

[Secretary of State Madeleine Al-

bright, nn what could be a last-ditch

shuttle to find a diplomatic solution to

the crisis, said Friday in Madrid that

Washington's patience was running out.

Reuters reported.

[But the Russian prime minister.

Mnscow strongly opposed the use of force against Iraq.] Mr. Annan made his comments as

2,000 leading international business ex-

ecutives and government nfficials

gathered in this Alpine town for the annual meeting of the World Economic

Asked if he had a message for the Iraqis, Mr. Annan said, "If they want to

see light at the end of the tunnel, it's in

Iraq, he said, must "cooperate, and cooperate effectively and in a sustained

manner with the inspectors."
In recent days, the Clinton administration has laid the groundwork for

possible air strikes by bluntly warning

Baghdad that the United States is pre-

Mr. Annan, hnwever, played dnwn the likelihood that the United States

iktor Chernmwrdin, said that his fnreign minister had told Mrs. Albright that

ficult to live with.

their hands.

pared to use force.

"It is not excluded that Iraq will

arms inspectors.

His Country

Annan Says

DAVOS, Switzerland —

Clinton's Ratings Soar; Accusers Don't Budge

Jones Case Is Set Back as Court Forbids **Testimony From Secret Service Agents**

By Brian Knowlton

WASHINGTON - Two of Pres-WASHINGTON — Two of President Bill Clinton's principal antagonists in the investigatinns swirling around him forcefully defended their motives and veracity Friday as the White House pointed with relief to opinion polls showing that Mr. Clinton's job-approval ratings were at their highest ever.

The White House was bolstered further by a federal judge's ruling barring lawyers for Paula Jones from

barring lawyers for Paula Jones from obtaining testimony from Secret Service agents assigned to the president.

"The court agrees with the Secret Service that the discovery sought by the plaintiff could possibly provide critical information of bow the Secret Service functions and provide those with hostile intent toward the president with important information to use in piercing the Secret Service's



Monica Lewinsky in a car leaving the Cosmos Club in Washington.

protectinn," the judge's order said.
"The court deems such a risk in be unacceptable, especially where the information sought by the plaintiff is not essential to her case," the judge

With even some of Mr. Clinton's supporters surprised by the depth and

The mystery behind Keuneth Start. Page 3. • Paula Jones's lawyers are set back. Page 4.

resilience of his public support, Republicans began to edge away from a strategy of silence and to speak more critically about the allegations that he had a sexual relationship with a White Hnuse intern and then asked her tn lie

about it in a swnrn affidavit.

As the White House righted itself after the initial shock of the crisis, Linda Tripp, a former White Hnuse employee, broke the silence she had maintained since reports emerged that she had taped 20 hours of conversations with Monica Lewinsky, the 24year-old former intern who allegedly had an affair with Mr. Clinton and then was encouraged by him to lie about

In a statement released hy her at-torney on Friday, Ms. Tripp said that she had overheard Ms. Lewinsky speaking on the phone in her apartment to Mr. Clinton and that she had seen gifts he allegedly gave the intern. She also defended Ms. Lewinsky against reports about her character and credibility, saying, "She was not a stalker; she was invited; she did not embellish, the truth is sensational

Another key player in the anacks on the president, Susan Carpenter-McMillan, an adviser to Paula Jones. said Friday that the White Hnuse had orchestrated a smear of Ms. Lew-

See INQUIRY, Page 4

White House Bides Time

Strategy Now Is to Hunker Down and Wait

By John F. Harris Washington Post Service

WASHINGTON - President Bill Clinton's damage-control advisers have concluded that the public's initial shock about the controversy over Monica Lewinsky has subsided sufficiently that they can pursue a policy of withholding information about the nature of his relationship with the former White House intern indefinitely.

Once despondent over the crisis, presidential advisers inside and outside the White House said Thursday that they were increasingly nptimistic that they could justify what one called a "hunker-down strategy" in which Mr. Clinton explained nothing publicly as long as he was under legal investigation for obstruction of justice. Some aides said they expected this approach to last for months,

possibly far longer.

Mr. Clinton can throw np a wall, several aides said, because he and his advisers believe that they have been hlessed with unappealing adversaries

and a forgiving public.

The conduct of the people Mr.
Clinton sees as his principal accusers in the controversy—the independent counsel Kenneth Starr and the news media — are viewed unfavorably by the public, the aides noted, citing pub-lic polls and their own internal polls.

And while asserting that Mr. Clinton will never back nff his flat denial nf a sexual relationship with Ms. Lewinsky, several advisers noted with relief the polls and anecdotal evidence they have compiled suggesting that the public was not outraged by allegations of presidential adultery.

Finally, some Clinton advisers nutside the White House said they were encouraged hy how Ms. Lewinsky herself was being portrayed in many news accounts — as a sexually experienced and unreliable young woman, an enthusiastic participant rather than a naive victim in any possible

relationship with the president.
All these factors are emboldening the Clinton team in its decisinn to try to shut nff the flow of information.

When the allegations that Mr. Clinton carried on an 18-month sexual relationship with Ms. Lewinsky and coached her to lie about it first broke Jan. 21, the line from White House aides was that Mr. Clinton would tell his side of the story once his lawyers had conducted a fact-finding search.

In fact, the principal elements of that search are done. For several days, sources said, Mr. Clinton's lawyers have possessed the answers to critical questions, such as how often and when Ms. Lewinsky was cleared inm

See STRATEGY, Page 4

UN Chief Warns Iraq of Bombing



Two UN staff members moving into designated hotels in Baghdad on Friday as prospects of an air strike rose.

Korean Investors Toast Debt Accord struction. "He has gnt to this precipice before and pulled back," Mr. Annan said, "and I would hope for the sake of the

Seoul Stocks Soar on Extension, but Skepticism Remains Abroad

By Don Kirk International Herald Tribune

SEOUL - The South Korean stock market scored a recurd single-day increase Friday, reflecting a widespread feeling arning Koreans that the country had overcome the worst of its financial crisis hy winning a critical rescheduling nf \$24 billinn in short-term deht.

A day after international creditor banks agreed to extend the repayment period for South Korean hanks, Finance Minister Lim Chang Yuel asked the cnuntry's bank executives to move quickly in pursuit of fresh credit to bolster the country's hard-pressed chaebol, or conglomerates.

He also ordered the Finance Ministry to shut down 10 investment hanks after concluding they were too heavily in debt to recover. The finance companies were among 14 suspended from doing husiness last month after the International Monetary Fund demanded closure of ailing institutions as part of a \$60 billion bailout plan.

The stock market's benchmark index rose 7.65 percent Friday in the first day nf trading since the three-day Lunar New Year hnliday began Tuesday. The index finished 39.69 points higher, at 558.33.

The won also rose sharply, with the dollar falling in 1,525 wnn from 1,688 on Thursday. But outside of the country, reaction

WASHINGTON - The U.S. econ-

omy expanded at a faster pace than

expected in the fourth quarter, winding

up its strongest annual performance in

nine years, as inflation registered the

smallest yearly increase in more than

three decades, according to figures re-

The nation's grass domestic product

was much less euphoric. In Washington, Treasury Secretary Rnbert Ruhin said the debt rollnver agreement was "still not sufficient" for the United States and other members of

leased Friday.

the Group of Seven leading industri-alized democracies in release \$8 hillion Seoul's credit rating. in accelerated financial assistance, Bloomberg News reported. The \$8 hil-

linn is part of a "second line of de-fense" for the IMF rescue package. While the agreement is "very, very constructive and very, very important," Mr. Ruhin said, South Korea still faced great challenges."

Two deht-rating agencies, Moody's Investors Service Inc. and Standard & Poor's Corp., praised the deht accord "All I can say is it's an important first

step," Thomas Byrne nf Moody's told Agence France-Presse. "It adds a grearer degree of stability. It looks like Korea has gone in great lengths to firm up its financing needs for 1998 and to openly huild up its official international reserves in a more comfirmable level. But it, in itself, is not enough to

See KOREA, Page 5

Outsider Enters Japan Ministry

Ex-Prosecutor Takes Over at Finance, Promising 'Discipline'

By Sheryl WuDunn New York Times Service

TOKYO - Prime Minister Ryutaro Hashimoto picked a former prosecutor Friday as his new finance minister in a move that may suggest a continuing assault on the corruption and clubbiness of Japanese financial circles.

Hikaru Matsunaga, a 69-year-old dark-horse candidate who is chairman of the hudget committee in the lower house of Parliament, walks into the top jnh at the Finance Ministry in the world's second-largest economy as an outsider. He has little experience in finance or banking, but for many Japanese these days that is an advantage: The system is regarded as sn tainted that anyone in the field is viewed as suspect.

U.S. Economy Surged in 4th Quarter

grew at a brisk 4.3 percent pace in the October-December quarter, the Com-

merce Department said. That figure is

significantly better than the 3.6 percent average of private economists' predic-

Fnr all nf 1997, the economy grew by

3.8 percent, the fastest pace since 1988, when the Federal Reserve Board was

Matsunaga gave nn hint that he would respond to U.S. demands that Japan take bold measures to bolster its economy. But he said he would try in sumulate

the economy within existing guidelines, a statement with ennugh ambiguity that almost any ecommic policy is possible in the coming months. Japan has been absorbed by the corruptinn scandals that claimed his predecessor and other officials in the Fi-

declared that nne of his first tasks would be in root nnt more unethical behavior. "I think it most important to regain public trust by taking this chance to enforce discipline and to take strict ac-

nance Ministry, and Mr. Matsunaga

tion if anything is wrong and anyone whn has done wrong is fnund," he said.

See JAPAN, Page 5

impact of the 1987 stock market crash.

This year, with Asian financial tur-moil threatening to slash U.S. exports

and send a wave of cheap imports across
U.S. borders, economists expect growth
to slow to a moderate 2.5 percent.
From the perspective of the Federal

Reserve chairman, Alan Greenspan,

that could not be happening at a better

See IRAQ, Page 5

Tokyo Begs to Differ
At the annual meeting of the World Economic Forum in Davos, Switzerland, on Friday, Japan's deputy finance minister rejected complaints that Tokyo was not doing

WORLD ECONOMIC FORUM

enough in help Southeast Asia, and itself, emerge from economic turmoil. Page 9.

- the total value of all goods and serstimulating the economy to cushion the See GROWTH, Page 10 As Euro Looms, Small Players See Troubling Omens

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By John Vinocur International Herald Tribute

THE HAGUE - If you can acknowledge that your country does not dare to turn its back on the European Monetary Union and its common currency, you can also insist that the run-up process is reinforcing your skepticism and adding a trace of foreboding about the whole undertaking.

This is the situation of Frits Bolkestein, the leader of the Netherlands' center-right Liberal Party, which polls currently place as frontrunner in the country's national elections May 6. The possibility that Mr. Bolkestein will emerge as prime minister, or kingmaker and key cabinet member in the Dutch system of institutionalized power-sharing, has brought attention to his reservations on what is happening to the

Less than the concept itself, Mr. Bolkestein is concerned about the attitudes underpinning the EMU, and that decisions on who participates in the first

group of countries adopting the common currency may mortgage its success. In an interview, he singled nut France and Italy as countries whose approach to the EMU could bring it

Mr. Bolkestein asserted that it was "not a good omen" for Europe that neither France nor Italy, in his mind, had achieved the necessary labor market flexibility to function effectively under the regulations of the updated Maastricht treaty. Since Maastricht rules out devaluations as an economic tool, he said, the treaty effectively requires participant countries to free up their labor markets as a mntor to economic activity.

The Labour Party of Tony Blair has done this, he said, and so had the Durch Social Democrais, his party's senior partner in the current three-cornered governing coalitinn with the left-of-center D66 party. But France has held nn tn "a Int nf

See DUTCH, Page 5

7.

Washington Post Service

LISBON - Nuno Reynolds Telles Pereira grabbed the afternoon paper to demonstrate what Portugal fears most on the threshold of an integrated

By Charles Trueheart

There in full color was a picture of the new euro coins that will go into circulatinn hy 2002 in 11 of the European Uninn's 15 countries, replacing French francs, German marks and Portuguese escudos, among other moneys, with a single currency - and further

smudging what it means to be a nation. But there was a problem with the map of Europe on one face of the coin. Each country is clearly delineated from its neighbors, almost as though all the nations of Europe were islands. All, that is, except Portugal.

On the euro coin's map, Portugal's borders are invisible within what appears to be a much-swollen Spain. 'Even Luxembourg is there!" Mr. Telles Pereira, a lawyer in Lisbon, exclaimed in good-natured indignation. referring to Europe's tiniest and richest per capita-cnuntry.

Portuguese Ask: Who Will Make Decisions?

"I'm not a hard-line nationalist, but..." he said. The average man, he said, is worried

about the consequences of the new European currency and European unity

"We more or less have to go where Europe is going," he said, "but there's a lot of worry over loss of identity and

The final euro coins will get the borders straight. But the uneasy sense remains in Portugal and the other small countries of Europe that the coming of a borderless, tariff-free, single-currency zone will entail unknown sacrifices and possibly transform state and citizen

Currencies, like borders, have always been hulwarks. Now the currencies are going and the borders are becoming even more symbolic.

See PORTUGAL, Page 5

AGENDA

50 Die in Clashes In East Lebanon

BAALBEK, Lebanon (Reuters) At least 50 people were killed or wounded Friday in clashes between fullnwers of a radical Shiite cleric, Sheikh Sobhi Tufaili, and the Lebanese Army in eastern Lebanon, state television reported.

Machine guns and rockets were used in the fighting that flared after troops moved to take control of a Hezbollah school the cleric had occupied in the eastern Bekaa town nf

Sheikh Tufaili's move marked an escalation in tensions with Hezbollah that erupted after the Shiite Muslim group expelled him on Saturday on grounds that he was seeking to split party ranks.

Books	Page
Opinion	Page
The intermarket	Page

'Enough Is Enough,' Spaniards Cry at Rally

SEVILLE - A local politician from Spain's governing party and his wife were killed by an unidentified gunman here early Friday in an attack attributed to the Basque guerrilla group ETA, officials said.

Alberto Jimenez Becerril, a city council member, and his wife, Ascension Garcia Ortiz, both 37-year-old lawyers, were gunned down on a street in this southern city while returning home from dinner with friends, anthorities said. Both died of bullet wounds to the

The gunman shot Mr. Jimenez first and then killed his wife, Spanish news reports said. The couple had three young

Mr. Jimenez was the official spokesman for the local branch of Prime Minister Jose Maria Aznar's Popular

Party.
"I can feel his children looking at me, asking what we are going to do," Mr. Aznar said sternly at a news confer-

"ETA has killed another town councillor," he said. "This time, in its endless cruelty, his wife, too. No one should have the least donht that they will pay dearly for what they are doing.' Spanish officials immediately attrib-

uted the crime to ETA (Basque Homeland and Liberty), which has killed more than 800 people in its 30-year struggle for an independent state. In a spontaneous show of revulsion,

several thousand people gathered in front of the city hall in Seville, brandishing banners proclaiming "Enough is enough!"

The Plaza Nueva could barely contain the swelling crowds of people, who lighted candles as a mark of respect for

New York Times Service

NEW YORK - It must have been

one of the more unusual requests for

scientific collaboration to reach

Quaid-i-Azam University, in Is-

lamabad, Pakistan: a list of Dr. An-

gela Christiano's research creden-

tials, along with a snapshot of three

week ago with clumps of hair falling

out," said Dr. Christiano, a geneocist

and assistant professor of dermatology at Columbia-Presbyterian Med-

A computer search of the medical

literature on haldness had led her to

the Pakistani researchers, who had

discovered people in a remote village

with a rare, inherited disorder that left

"I said I'd just been diagnosed a

bald spots on her head.

ical Center in New York.

Bouquets carpeted the city hall steps and the site of the killing.

The Basque separatist party Herri Batasuna, considered the poliocal wing of ETA, voiced its regrets but stopped short of condemning the double

"When the worst examples of the Basque conflict occur, limiting oneself to false condemnations does not help find a solnoon," the party's spokesman, Joseba Permach, said at a press conference in the Basque city of San Sebastian.

Mr. Aznar said ETA was opening an "all-out challenge to Spanish soci-

The assassination raised new questions about the protection of Popular Party poliocians, who have become prime targets of ETA.

It was the fourth murder of a municipal council member attributed to ETA in the past six months and the fifth in the past two years.

All of the previous killings were in the Basque region of northern Spain. The abduction and killing of Miguel Angel Blanco, 29, a councillor in the Basque town of Ermua, in July sparked national outrage, bringing an estimated 6 million Spaniards into the streets.

Another town councillor, 64-year-old Jose Luis Caso of Renteria, who refused bodyguards despite repeated death threats, was shot in the head in December while drinking at a bar.

ETA considers the center-right governing party the heirs to the late dictator Franco, who brutally repressed Basque nationalism during his four decades in power.

In March 1995, ETA tried to kill Mr. Aznar, then the opposition leader, as be traveled to his office. He was saved hy his vehicle's armor plating. (Reuters, AFP)

where oo their heads or bodies.

her condition.

linked to hair loss

Writing to her fellow scieoosts, Dr.

The result, published oo Friday in

Chrisoano said she suspected that

those families held "the only key" to

the journal Science, is the identific-

adon of the first human gene ever

The genetic defect described in the

journal causes only the rare condition

found in the Pakistani villagers, and

not the more common types of bald-oess, Dr. Christiano said.

The newly identified gene appears to play a critical role in the formation

of hair, and Dr. Christiano said that

understanding its fuoction might help

scientists devise better ways to pre-

veot and treat various forms of bald-



Demonstrators showing white-gloved hands Friday in Seville as a sign of protest of the killing.

For Cloned Dolly, the First 'Bah'

Biologist Challenges Credibility of Unreplicated Experiment

By Nicholas Wade New York Times Service

NEW YORK -- The credibility of the experiment reporting the cloning of Dolly the sheep from the cell of an adult ewe is being challenged by a leading biologist, and other scientists agree that the experiment needs to be repeated before it can be

The skepticism is erupting almost a year after the

original report.

The criocs say that no other scientist has yet succeeded in cloning a mammal from an adult cell, although the birth of at least one calf cloned this way is said to be imminent. The cloned calves born this month were generated from fetal cells, not those of an adult cow

The challenge is in the form of a letter, published Friday in the journal Science, by Norton Zinder, a Mr. Wilmut said, he decided to try cloning an adult microhiologist at Rockefeller University and a cell. Instead of working with a live animal, he said member of the National Academy of Sciences, and he used a cell line that was already available. Vittorio Sgaramella of the University of Calabria in

In a response, the chief author of the cloning experiment, Ian Wilmut of the Roslin Institute in Scotland, dismissed the possibility of error hat said that some extra tests suggested are now under way and will be reported when complete.

Mr. Zinder's position is not that the cloning of Dolly never occurred, merely that so far there is not

enough evidence to prove it.
In their letter, Mr. Zinder and Mr. Sgaramella note that Mr. Wilmut's cloning of an adult sheep was successful only one out of some 400 times and that in science, one success in 400 "is an anecdote,

not a result." They also criticize Mr. Wilmut's original report. for failing to mention that the adult sheep from which Dolly was cloned had died several years earlier. Its absence prevented any direct comparisoo between Dolly and her donor, in particular the decisive test of a skin graft from one to the other. If true clooes, each would have accepted the other's cording to an article in Science.

skin graft; if not, any graft would have been re-

Dolly was cloned from a vial of sheep hreast cells that had been put away in Mr. Wilmut's freezer as part of another project. The critics say it is hard to know what other kinds of sheep cell may have been around in the vial but, since the sheep in question was pregnant at the time, the vial could have cootained some of the fetal cells that circulate in the mother's body.

If it was a fetal cell that generated the Dolly clone, the outcome would not be startling because Mr. Wilmut had already demonstrated that fetal cells could be cloned.

Mr. Wilmut said Thursday in a phone interview that he had not intended to clone an adult cell when he started the experiment, which originally dealt with fetal cells. Midway through that experiment,

Mr. Zinder's criticisms have resonated among other biologists, in part because of a seminar Mr. Wilmut gave recently at the Massachusetts Institute of Technology. The seminar was attended by many of Boston's leading biologists, several of whom were surprised to hear him say he did not intend to repeat the experiment.

It is an article of faith among scientists that an experiment should be replicated in ooe's own laboratory in case of an error the first time around, as ofteo happens. Also, it is usual to follow up an important result with more experiments.

Mr. Wilmut confirmed that he did not intend to replicate his experiment. "I don't perceive a need." he said Thursday. "The principle is established. Repeating experiments is boring and unimaginative." He said he expected his results to be repeated by many other laboratories soon.

So far three laboratories have tried and failed to repeat Mr. Wilmut's experimeot, but others are still trying and are confident of ultimate success, ac-

BRIEFLY

Final Resting Place for Czar?

MOSCOW - Russia's last czar and his family should be buried in July alongside their royal forebears in St. Petersburg, a government commission recommended Friday, apparently drawing a close to years of national The commission rejected proposals to bury Czar Nich-olas II and his family in Yekaterinburg, the city where they

were killed, or in Moscow. It recommended that the burial take place July 17, the 80th anniversary of their deaths.

The remains of the czar and his family were unearthed outside Yekaterinburg in 1991, and have since been kept in the local morgue. The final decision is up to President Boris Yeltsin, who appointed the commission and is expected to follow its advice.

U.S. Offers More Aid to Bosnia

227.00

A STATE N

BANJA LUKA, Bosnia-Herzegovina — A United States envoy said Friday that Washington was ready to increase postwar reconstruction aid to Bosnia's Serb republic if a new moderate leadership cooperated with peacemaking efforts.

The administrator for the U.S. Agency of International Development, Brian Atwood, said Washington would consider raising the flow of aid from about \$3 million to The Myster \$5 million a month.

After holding talks with the new Bosnian Serb prime minister, Milorad Dodik, and President Biljana Plavsic, Mr. Atwood said he was "very encouraged" to see the government's commitment to the 1995 peace accord that gendent Counsel Out to Get ended three years of war in Bosnia.

Bonn Continues Deportations

BONN - Germany would not halt deportations of Algerian refugees because of the massacres taking place in their homeland, Interior Minister Manfred Kanther said

Some of Germany's 16 regional states this month put a temporary ban on deporting Algerians whose applications for asylum have been refused, pending a meeting of state interior ministers on Feb. 2.

TRAVEL UPDATE

EU to Weigh New Overbooking Law

BRUSSELS (AP) — The European Commission proposed regulations Friday that would increase compensation for passengers bumped off overbooked flights and make it harder for airlines to avoid payment. If the legislation is approved by EU member nations,

airlines will have to pay compensation of up to \$380 and provide a new flight or ticket refund. British Airways plans to start a no-frills, budget airline. called Go, to compete with EasyJet, Ryan Air and others that

offer cheap flights to Continental Europe. Flights from New Delhi could be disrupted Friday evening

onward by a strike by controllers and airport officials. (AP)

Pilots for Iberia Airlines disrupted schedules by working slowly for a third day.

Qantas won approval from the International Air Services ommission to add flights to China and India. (Bloomberg)

The Port Authority of New York and New Jersey has voted to add 1,300 parking spaces at Newark airport. (NYT)

A Close Call for Air Force One

The Associated Press

WASHINGTON - A review of radar tapes by the Federal Aviation Administration shows that Air Force One did fly too close to a commercial flight this week -hut not the jet first suspected — when flying President Bill Clintoo out of Washingtoo.

The agency said Thursday that it erroneously reported the president's plane flew too close to a Delta airliner Wednesday wheo leaving for Illinois. But the agency's review disclosed that, at the same time, the required distance was not kept between Air Force One and a US Airways Boeing 737

In the area around Washington National Airport and nearhy Andrews Air Force Base, Air Force One's home airport, planes are required to stay at least 3 nautical miles apart horizontally and 1,000 feet (305 meters) vertic-

them without a strand of hair any-

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Tobacco Industry Does About-Face, and Some See a Ploy

Her Hair Loss Leads Researcher

To Baldness Gene (via Pakistan)

By Barry Meier New York Times Service WASHINGTON - Four vears after too tobacco company officials denied before a al appearance that they never congressional committee that marketed tobacco to children cigarettes were addicove, a new crop of executives has between smoking and disappeared before the same panel as supplicants, pledging to release secret company documents, combat teenage

smoking and acknowledge tobacco risks in an effort to gain protección from lawsuits. The testimony Thursday hy the chief executives of the United States' five largest tobacco companies before the House Commerce Committee came as Congress began formal dehate over the proposed

attorneys general. the tone and substance of their evitable turning point."

Have Stocks Topped?
Stocks Will Have a Bear Market. If you share the opinion it's time to look at

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remarks to rally support for the embattled accord and distance themselves from their predecessors, who had de-clared in a 1994 congression-— and even quesooned links

eases like lung cancer. Geoffrey Bible, chairman of the Philip Morris Cos., the naoon's largest cigarette produ-cer, testified that, in hindsight, he deeply regretted the years of festering conflict that had existed between the tobacco industry and anti-smoking advocates. He said the proposed settlement offered a chance to

change that relationship.

"Although no one can change the past, I have tried to \$368.5 hillion settlement draw lessons from it, and that is why I believe our priorities reached in June between the and focus should be on the industry and about 40 state future," Mr. Bihle said. "I The officials sought in both believe that we are at an in-

But Mr. Bible and other top which must be approved by company executives came onder sharp attack hy lawmakers who questioned their motives and their sincerity. Representative

Waxman, Democrat of California, released documents showing that Philip Morris marketing officials had beeo following the smoking habits of children as young as 12. And others rejected as a public-relations ploy Mr. Bihle's pledge to release publicly millions of pages of secret industry documents.

Under the June proposal, tohacco producers agreed to pay \$368.5 hillion to settle awsuits filed by states and smokers, restrict cigarette advertismg and pay fines if youth smoking rates failed to

drop. The companies also said they would not oppose some regulation of tobacco hy the federal government.

In return, the proposal,

bacco producers unprecedented protections against most types of lawsuits and would har puniove damages.

Congress, would give the to-

testified Thursday acknowledged that nicotine was addicove. And, in dramade contrast to testimony by tobacco

caused lung cancer or was a risk factor in the disease. They also acknowledged that Mr. Bible and most of the, as the term is commonly unother company officials who derstood, nicotine is addictive. But they insisted that none of their current marketing efforts were aimed at underage smokers.

four year ago, the executives

said that smoking either

WEATHER

Europe

Warm with some sun in the East Sunday and Monday, but clouds end rein mey with heavy now in the arrive Tuesday. A storm adveloping in Texas Sunday will spread soaking Cold with show and flumes rain across the South and in Moscow. Without and cold into the central Appalachians. Bry and mild in the Southwest. Rain is in store for the Northwest coast.

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Investigation in Washington /'A Protracted Struggle'

As Polls Brighten for Clinton, Protagonists Dig In for a Long Siege

By Richard L. Berke New York Times Service

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Section 1

WASHINGTON — Just days ago, traumatized White House officials said their own polis suggested a sinking president. Prominent Demo-crats casually used the words 'impeachment' and 'resignation.' The central question inside and outside Washington seemed to be, how much House, distracting new elements have been ad-Jonger can President Clinton hang on?

But now, polls show that Mr. Clinton's job approval ratings are rising. Democrats are talking the accusations were instigated by the president's about rallying around their leader and saying the political enemies. public wants this unseemly scandal behind it. And the central question inside and outside cusations has slowed the actual inquiry to such a Washington seems to be, how long will this crisis degree that a popular view in Washington is that

drag on?
That rapid shift in how people view the White his term.
Benear the nature of the crisis has grown far more complicated.

When the scandal broke eight days ago, the story seemed so simple: The fundamental drama was whether Mr. Clinton committed a criminal was whether Mr. Clinton committed a criminal act by engaging in an affair with Monica Lew
Lewis, the White House communications dipolicy.

insky and telling her to lie under oath about it.
Yet, the episode has evolved into a multidimensional (and often confusing) story. Beyond

Mr. Clinton and Ms. Lewinsky, the drama now includes many new players, from Ms. Lewinsky's former friend, Linda Tripp, to Betty Currie. the president's personal secretary. Now, with encouragement from the White

ded in the story, involving the possible motives of

it could shadow the president for the remainder of

Beneath the din of accusations, it is clear that the two determined combatants, Mr. Clinton and Kenneth Starr, the independent counsel, are preparing for what may be a long, hard engage-

rector. "It has all the elements of a long-term

Starr, said: "We're not going to speculate on how long an investigation might take. Judge Starr has crisis, even if the president helped bring about the said in public that he hopes we will get to the truth

But Mr. Starr's team is approaching the case with the same determination that it has doggedly shown for more than three frustrating years. His associates have said privately that they are in for hower. The worse I do, the more popular I the long haul, particularly as they continue to be get

stymied in striking a deal with Ms. Lewinsky. The conventional wisdom of a quick end began to shift early this past week. First, polls showed that Americans were more focused on showed that Americans were more focused on Mr. Clinton personally but gives high marks to his Mr. Clinton's policies than his personal conduct. policies: the reverse was true for Mr. Reagan. Then, the combination of distasteful and at times irresponsible reporting gave Democrats a tan-

gible way to defend the president. Perhaps most important, Mr. Clinton's State of the Union address on Tuesday allowed him to revert to a tactic he has often used before when coming under attack: Change the subject to

Mr. Clinton is taking advantage of a dynamic that has helped his predecessors; With the not-Dehhie Gershman, a spokeswoman for Mr. able exception of Watergate, the public has gen-

Consider what President John Kennedy said after the botched Bay of Pigs invasion, when a

The dynamic involving Mr. Clinton is the counterpoint to President Ronald Reagan's popularity. The public does not particularly care for

The president's high job approval rating — 73 percent in a CBS News poll released Thursday gives him breathing room.

His aides and loyalists in the Democratic Party have seized on the findings to help defend Mr. Clinton and to attack Mr. Starr's credibility.

The president is also helped by the Republicans' determination to stay out of the fray and

That strategy makes it easier for Mr. Clinton to avoid having to answer to accusations and also erally rallied around the president during times of makes it easier for him to at least give the appearance of pressing ahead with an agenda on

Michael McCurry, the White House press secretary, said the gyrations in public opinion come because "the American people have thought very clearly about this and heard a lot about it in the last couple of days, and I think that they think the president deserves some opportunity to present his argument in the fashion that will allow

the truth to prevail and to emerge. Although the shift in public opinion may give Mr. Starr some worries, a drawn-out scandal gives him more time to turn up evidence and build his case against the president.

But the public can be capricious, and the polls could change dramatically in the coming days. Jon Krosnick, a professor of psychology and political science at Ohio State University, said that because they have been bombarded with news of the scandal, "people are being pushed harder, and more often, to change their views."

Starr: The Mystery Behind the Man

* Is Independent Counsel Out to Get Clintons - or Just Doing His Job?

By Ruth Marcus lington Post Service

counsel in August 1994, Kenneth Starr ernor Jim Guy Tucker; the Clintons' knew exactly what he did not want to be: former Whitewater business partners, a seemingly permanent prosecutor James and Susan McDougal; and the whose investigation dragged on inter-former associate attorney general Web-know how they had surfaced, and beminably - in short, a Lawrence Walsh. ster Hubbell. The independent counsel whose Iran-contra inquiry lasted two also has secured 10 guilty pleas from administrations past the one he was lesser banking figures in Arkansas.

Starr finds himself at the helm of an investigation that has assumed Walshmillion in an inquiry that began as an examination of a 1978 Arkansas land deal and has since expanded to encompass the firing of White House travel office employees, the gathering of FBI files on Republican White House aides, the possible perjury of President Bill Clinton's former White House counsel and the mysterious reappearance in the White House of Rose Law Firm billing records

two years after they were subpoenaed.

Now, with the latest and most explosive enlargement of his inquiry — into allegations that the president tried to cover up an affair with a White House

the Clintons, relentlessly "scratching for dirt" as Hillary Rodham Clinton put it this week? Or is he, as Starr associates describe him, a reluctant investigator who would like nothing better than to rid himself of the whole affair but is forced to head off in new directions because of White House obstructionism and new

evidence of questionable behavior? The truth is elusive because so much of the work of Mr. Starr's office has been conducted under the necessary veil of grand jury secrecy. But it may well lie somewhere between these views, the story of a miscast man — a political partisan with no prosecutorial experience - in a job that would be difficult under any circumstances but has been made even more so by forces both within and outside his control.

The independent counsel statute crethe independent counsel statute creature, a unique and powerful creature. While bound to follow the policies of federal prosecutors, his budget is unlimited, his ability to spend time and manpower on virtually whatever strands of investigation he chooses is unmatched, and, in a sense, his ultimate success is judged on whether he reels in a big fish. However, some Justice Department officials who have dealt with Mr. Starr

over the years do not regard him as overzealous or even unusually aggressive in the way he has pursued his mandate. Starr really has not done anything to abuse the kind of latitude that the system

grants him," a Jusoce Department of-ficial said. Another official said, "We are talking about a guy who wanted to hang it up and year to the deanship of a California law of career prosecutors in his office.

lesser banking figures in Arkansas.
The original Whitewater allegations charged with investigating. The original Whitewater allegations
Yet three and a half years later, Mr. focused on whether Mr. Clinton, while governor of Arkansas, pressured a husinessman into making an illegal loan to a like proportions, spending more than \$26 Clinton business partner in the Whitewater land development.

whether White House aides or associates accepted law enforcement methods" to

His enemies seek to portray him as a Captain Ahab, obsessed with harpooning the great white whale no matter how long the quest.

his public comments, his continuation of tions and had toyed with running for the \$1 million annually even as he investigates the president — has provided ample ammunition for those who seek to portray him as a Captain Ahab, obsessed with harpooning the great white whale no matter how long the quest. Yet those who know Mr. Starr paint a

picture of a man who set out determined to conduct a fair inquiry only to become increasingly convinced that he was not being dealt with honestly, including by the president and first lady.

'It is the White House's conduct - the firing of the travel office employees, the gathering of FBI files on Republicansthat has given rise to the expansion of Mr. Starr's mandate, some of which has come not at his own request but at Attorney General Janet Reno's request.

The unprecedented appearance of Mrs. Clinton before a grand jury two years ago illustrates the gulf between the Starr and Clinton camps. The White House sought desperately to avoid what officials viewed as a public humilianon, arguing that Mr. Starr could obtain whatever testimony he needed with a private interview at the White House, as had been done several times previously.

'It was a deliberate effort to tarnish and make as salacious as possible this whole development. said Jane Sherburne, a former White House special counsel. 'At that point I concluded the guy was on a mission not to find the truth but to destroy the president and

Mr. Starr's defenders say that far move to Malibu, after all, "a reference to from engaging in a personal vendetta. • Alice Walton, the 11th richest Mr. Starr's abortive career switch last he was only following the advice person in the country according to

The lestimony was appropriate, the So far, Mr. Starr's lawyers can point lawyers have argued, because the miss-WASHINGTON — When he started to several major Whitewater-related ing billing records from the Rose Law work as the Whitewater independent convictions: the former Arkansas gov- Firm in Arkansas, where Mrs. Clinton worked, had reappeared under such

cause the grand jurors needed to assess

her answers in person. As the investigation has gone on, Mr. Starr has been accused of hardball tactics. FBI agents and prosecutors working for Mr. Starr have questioned Arkansas state troopers about their knowledge of any extramarital relationships Mr. Clinton might have had while he was gov-Mr. Start has also opened inquiries on ernor. Mr. Start said he was using "well-

get relevant information.
The original Whitewater special prosecutor was Robert Fiske Ir., a moderate Republican selected in January 1994 by Ms. Reno. who had the authority to make the appointment because the independent counsel law had expired. Eight months later, with the law renewed, the threejudge panel in charge of appointing in-dependent counsels abrupily replaced him with Mr. Starr. They cited the intent of the independent counsels tatute that the intern — the Clinton administration is engaged in an extraordinary public feud of the Clintons arranged payments to with Mr. Starr, a 51-year-old former Mr. Hubbell in an effort to ensure his Mr. Fiske's case, they said, because of his

federal appeals court judge.

Is Mr. Starr, as the White House and its allies charge, an overzealous and politically motivated prosecutor hounding silence on Whitewater matters.

Mr. Starr is conduct before and after taking the independent counsel joh—litically motivated prosecutor hounding his alliances with conservative groups. a legal practice that earns him more than Senate as a Republican. Mr. Starralso had spoken out publicly in the Paula Jones sexual barassment lawsuit, disputing Mr. Clinton's assertion that he should be im-

mune from being sued while in office.

Then came the disclosure that the appointment of Mr. Start came on the heels of a meeting among two conservative Republican senators, Jesse Helms and Lauch Faircloth, and Judge David Sentelle, an appointee of President Ron-ald Reagan who headed the panel that appointed Mr. Starr.



The independent counsel, Kenneth Starr, arriving at the special prosecutor's office in Washington on Friday.

POLITICAL NOTES

Mrs. Clinton Due in Switzerland

ZURICH — Hillary Rodham Clinton is to fly into Zurich on Saturday for a visit that is overshadowed by the crisis in Washington that has left her husband fighting for his

world leader in the light of the flurry of allegations directed

at President Bill Clinton. Mrs. Clinton is expected to address the forum on Monday on the theme of 'individual and collective priorities for the coming century.' (AFP)

Fear and Loathing Grip Media

WASHINGTON - It has hit with a vengeance: The "Ihate-myself" moment.

For a handful of reporters who covered the O.J. Simpson trials, the self-loathing brought on by their devolution from

seekers of social truth to chroniclers of sordid soap opera was so strong that they quit the profession. After the death of Diana, Princess of Wales, some pho-

tographers admitted to looking fearfully in the mirror and asking, "Am I the paparazzi?"

But rarely, if ever, has the examination of the coverage of

a story turned into such widespread mass self-flagellation Economic expens at the World Economic Forum in by the media, of the media, on and in the media - from a Davos, which Mrs. Clinton will anend, have raised ques- "CNN Live" program on the "Media Madness" concerning everything connected with Monica Lewinsk relevision news anchors' sheepish descriptions of their own colleagues' "feeding frenzies."

Rarely have so many citizens and analysis piled on in one great outpouring of disapproval and even disgust — disgnst, in particular, at how few facts, and how much gossip and

rumor, have made their way into coverage of the accusations against President Clinton.

"I think it's a good thing that the press examines its performance, because its performance has been dreadful," said Marvin Kalh, director of the Shorenstein Center of the Press, Politics and Public Policy, at Harvard University. "I think it is performance of the most recovery changes in think it is perhaps one of the most sorry chapters in American journalism." (NYT)

Away From Politics

· A federal judge ordered the navy to reinstate a sailor it had dismissed for listing himself as gay on an on-line computer service. saying navy investigators wrongly based their case on an anonymous profile and confidential records held by the service. (Reuters)

. The CIA knew nothing about California cocaine dealers who claimed connections with CIAbacked rebels in Nicaragua, the agency confirmed in an internal report ir reteased in response to a newspaper's accusations in August 1996. The San Jose Mercury News had suggested that Nicaraguan rebels introduced crack co-caine to black neighborhoods in Los Angeles in the 1980s. (NYT)

Forbes magazine, had to post a \$75 bond after being arrested in Springdale, Arkansas, on drunken driving charges following an accident. The daughter of Sam Walton, the late Wal-Mart founder, Ms. Walton, 48, lost control of her car and hit a gas meter. the police said.

· A coupte who allegedly stole a sleeping mother's newborn baby from her hospital room in Kansas City, Kansas, were identified from security videotapes and captured, the FBI said. The baby was re-covered unharmed. (Reusers)

• FBI investigators were searching for identifiable parts of a homemade bomb that exploded Thursday at an abortion clinic in Birmingham, Alabama, killing a



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Probe Targets Temple Visited by Gore

President Al Gore, accusing the religious center of violatng campaign finance laws.

Attorneys for the Hsi Lai Temple in Hacienda Heights are expected to appeal to goverument investigators here over the weekend to spare the religious organization from felony charges, which could include conspiracy allega-tions, according to people with knowledge of the matter.

A criminal action against a religious institution is highly unusual and appears to signal that the Justice Department is taking a bard line in its investigation of alleged campaign finance violations. An indicament would compound the polinical embarrassment dogging Mr. Gore since questions first were asked during the 1996 presidential cam-

Los Angeles Times paign about the propriety of Three nuns from the WASHINGTON — Feder- using the nonprofit religious temple, who were granted imal prosecutors have notified center as a venue for raising munity by the U.S. Senate in defense lawyers that they intend to seek a criminal indictment against the Califordictment nia Buddhist temple that the event he attended was a a Democrane fund-raiser and fund-raiser It later was re- temple devotee, Maria Hsia. organized a 1996 political fund-raiser It later was retemple devotee, Maria Hsia, fund-raiser attended by Vice vealed that about \$55,000 in An attorney for Ms. Hsia, donations from nuns and Nancy Luque, said her client monks had been improperly was convinced that she and the reimbursed by the temple.

temple would be vindicated.

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THE WORLD'S DAILY NEWSPAPER

Jones Lawyers Set Back By Ruling on Lewinsky

By Neil A. Lewis
New York Times Service

WASHINGTON — The ruling by a federal judge that lawyers representing Paula Jones in her sexual misconduct lawsuit against President Bill Clinton may not use any evidence involving Monica Lewinsky is a setback for them as they prepare their case.

Judge Susan Webber Wright said that while information about Ms. Lewinsky, a former White House intern, might be relevant to Mrs. Jones's case, Ms. Lewinsky a participation in the Jones sexual misconduct trial could interfere with the criminal investigation being conducted by the independent counsel Kenneth

As part of that investigation, Mr. Starr is examining Ms. Lewinsky's claims that she had a sexual relationship with the president and that he asked her to lie about it. The president has strongly denied this accusation. The judge acted on a request from Mr. Starr.

The ruling by Jndge Wright late Thursday deprives Mrs. Jones of a wit-

sational and greatly helpful to her lawyers in proving their contention that Mr. Clinton sexually harassed Mrs. Jones while he was governor of Arkansas and she was a state employee.

The judge said that while it might be relevant, the Lewinsky issue was not 'essential to the core issues in the

Mrs. Jones's lawyers had viewed Ms. Lewinsky's charges as useful in helping them convince a jury that Mr. Clinton had a habit of engaging in sexual affairs with young female subordinates.

In his court filing, Mr. Starr complained that Mrs. Jones's lawyers were "shadowing the grand jury's investi-gation of the Monica Lewinsky mat-

He said that "the pending criminal investigation is of such gravity and paramount importance that this court would do a disservice to the nation if it were to permit the unfettered - and extraordinarily aggressive — discovery efforts currently under way to proceed un-



Monica Lewinsky and her lawyer, William Ginsburg, in Washington.

Feminists Look to Their Interests and Hold Their Fire

By Terry M. Neal and Thomas B. Edsall

WASHINGTON — The president of the National Organization for Women, Patricia Ireland, called together her staff this week to discuss allegations that President Bill Clinton had an affair with Monica Lewinsky and later encouraged her to lie about it under oath.

There was consensus that "we wanted to put out a clear statement of our belief that it would be a gross misuse nf power for the president nf the United States to have a sexual relationship with a White House employee or an intern,' Ms. Ireland said.

The NOW staff agreed to press White House officials, including Mr. Clinton, to sign a pledge "to reject sexually intimate relations with employees and volunteers." NOW considered having the group's interns march to the White House brandishing copies of the pledge. But that was rejected, Ms. Ireland said. because it would suggest "we were taking a side, attacking Clinton, as op-posed to making a general statemeot." Instead, NOW decided to circulate the pledge among White House and conressional officials.

Feminist organizations have agonized over the role they should play in the crisis enveloping Mr. Clinton, whom many consider to be among the most supportive politicians in the history of the womeo's rights movement.

Equally as troubled are the many women, mostly Democrats, elected to Coogress in the last decade, who have issoes important to womeo. Some of those elected women led the charge to force public debates on sexual harassment allegations against Senator Boh Packwood, Republican of Oregon, and Clarence Thomas, the Sopreme Court

Since the allegations about Mr. Clinton became public, many of those women have assiduously avoided reporters. 'no comment" answers or offered vague statements that neither support nor criticize the president. Several women in Congress refused to be interviewed for this article.

Representative Rosa DeLauro, Democrat of Connecticut, has been among the few to make an unqualified statement either way: "The president made a definitive statement," she said

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nf Mr. Clinton's denial. "I believe

Anita Perez Ferguson, president of the hipartisan National Women's Political Caucus, said, "This is a two-edged sword for us." While members are "real disappointed," Mr. Clinton has promoted more programs for women than any other president, she said.

Senator Patty Murray, Democrat of Washington, who ran for office in 1992. in part, out of outrage over the Senate's handling of Mr. Thomas's confirmation hearing, said she was reserving judg-ment on Mr. Clinton. In 1995, Ms. Murray was among the most vocal senators urging public hearings into sexual misconduct allegations against Mr. Packwood. "I really believe our highest elected officials should set the standard for the nation," she said at the time.

Ms. Murray rejected any ootion that she and other women jumped to early conclusions about Mr. Packwood's case or that now they are protecting Mr. Clinton. Rather, she said, the role she and other women played during the Packwood episode was to ensure that the male-dominated Senate would thoroughly investigate the charges.
With Mr. Packwood, as with Mr.

Thomas, the problem was that the wom-eo who made the allegations 'had been pushed aside as noncredible and dismissed," Ms. Murray said, No such pressure is needed in the Clinton case because there is a forum, the judicial system, to deal with Ms. Lewinsky's

Senator Barbara Boxer, Democrat of California, who was outspoken on the Thomas and Packwood controversies. echoed Ms. Murray's statements: 'What is important for the American people to know is that there is a process in place to deal with these allega-

Kate Michelman, president of the National Abortion and Reproductive Rights Action League, a vocal critic of the Senate's handling of the Packwood and Thomas hearings, said through a spokesman about Mr. Clinton: "At a time when there are so many rumors and innuendos flying around, it would be

inappropriate to make a comment." Critics see the cautious approach as evidence that many Democrats and feminists are willing to suspend their outrage over such issues when it is politically convenient. Conservative leaders, male and female, made the meeting at the White House.

same charge when feminist groups failed to speak in support of Paola Jones's lawsuit against Mr. Clinton.

Ann Coulter, a conservative journa-list, said in a debate with Ms. Ireland on CNN: "Usually, it's feminist groups are jumping in when it's just saying 'honey' or just using speech. This is something completely different. I mean, this is moral turcitude."

'The sounds of silence emanating from the women's groups is pretty strin-ning," said Linda DiVall, a Republican pollster. "I haven't heard a great rush to endorse or support him, either. But it seems to me that the feminists were very quick off the mark going after Bob Packwood and Clarence Thomas."

But Celinda Lake, a Democratic pollster, said the cautious reaction of ferminist leaders mirrored that of women voters.

Polls suggest that women are more likely to reserve their opinions, while men are more harshly judging Mr. Clinton.

"Number one, these allegations have not been proven," Ms. Lake said. "Secondly, there was a feeling that Thomas and Psckwood violated their public roles, and there's no evidence that Clinton did that."

Complicating the issue for some Clinton, unlike Mr. Packwood and Mr. Thomas, has not been accused of sexual harassment in the Lewinsky case. Some acknowledge, however, that one byproduct of the heightened, politically sensitive environment they helped create is that relationships between powerful monly seen as coercive even when there is no specific allegation of harassment.

- Me Tougher in Gr Republicans, on Attack, Try Out the High Road

Clinton's Credibility Broadly Questioned

WASHINGTON - Although Re-

publicans have steadfastly refrained from directly commenting on the sexual misconduct and perjury investigation against President Bill Clinton, some of them have begun evoking unrelated issues in an attempt to fan public doubts about Mr. Clinton's repeated denials.

The emerging Republican tactic, at

least for now, is cloaked in genuine policy disputes over taxes and the budget deficit.

But several Republican strategists acknowledged Thursday their hope that the attacks on Mr. Clinton's credibility over these substantive matters would also erode the public's acceptance of his assertion that he did not have a sexual relationship with a White House intern, Monica Lewinsky, and later arge her to lie about it.

'The private Clinton and the public Clinton are inseparable," said a senior Republican tactician in the Senate, who

asked to remain anonymous.
"Republicans naturally want to make certain the American people get that

On Capitol Hill on Thursday, for example, Jack Kemp, the Republican can-didate for vice president in 1996, accused Mr. Clinton of "deceiving the American people" by "using wily half

Mr. Kemp was taking issue with Mr. Clinton's assertion that the income tax burden on the middle class was at a 20-

Senator Connie Mack, Republican nf Florida, took a different tack in questioning policy initiatives the president women's rights advocates is that Mr. promoted in his State of the Union address Tuesday night.

Recalling that Mr. Clinton pro-claimed in his 1996 address to Congress that "the era of big government is over," Mr. Mack said:

"Now be is proposing this staggering list of new, big-government spending superiors and subordinates are now com- programs. So how can we believe him There's a real question of credibility

Although Mr. Chinon's spending plan will not be released until next week, the Republican leaders of the budget process in Congress. Senator Pete Domenici of New Mexico and Representative John Kastch of Ohio, are estimating that the new programs Mr. Clinton proposed could cost as much as \$50 billion. \$50 billion.

They also question the president'a assertion that those imitatives can be funded without curtailing existing programs or raising taxes.

For the record, Republicans said Thursday that their growing focus on Mr. Clinton's credibility was simply a by-product of an ongoing philosophical debate over public policy. I think you can make the case that

this is related, but it certainly is not in our minds to do that," said Representative John Doolittle, Republican of In attacking Mr. Clinton's credibility over economic issues, Republicans

themselves may face a credibility chal-After all, not one Republican voted for the president's 1993 economic plan, and at the time party leaders predicted it

would cause widespread joh losses and ever greater deficits. Instead, the opposite happened, with the economy posting strong numbers and the deficit melting away.

"So you have a credibility problem

on both sides of the aiale," said Roger
Davidson, a professor of government
and politics at the University of Mary-

'But it's understandable that the Republicans would use this ammunition to make their point.' For Democrats, the Republican tactic

beginning to rankle.
"It's very clear that, although they want it in appear that they are not trying to use the allegations against the president, they are in fact very discreetly and subtly raising the issue — through the use of language at experience. use of language at every chance," said Representative Jim McDermott, Democrat of Washington.

INQUIRY: 2 Female Antagonists of Clinton Defend Acts in Jones and Lewinsky Cases

Continued from Page 1

insky. She denoonced reports by Andy Bleiler, a former drama teacher who revealed Tuesday that he had had a fiveyear affair with Ms. Lewinsky. Mr.

insky had "a pattern of twisting facts."

The Bleiler testimony, Ms. Carpenter-McMillan said, was a "vintage" White House defense tactic. "It is so remin-House defense tactic. "It is so remin-iscent of what the White House tried to do to Paula" in her suit against Mr. allegations against Mr. Clinton were Clinton, she said.

The comments by the two women came a day after a federal judge over- know to be right. To say, 'Mr. President taining to Ms. Lewinsky was not relevant to that sexual harassment case and could not be heard. That ruling was torney, Robert Bennett, who said it was a huge" boost for the president's side.

poll showing that the president job-approval rating had reached an all-time high of 73 percent. The White House spokesman, Michael McCurry, called the polls "a testament to the American public's common sense." Mr. Clinton, grand jury had deviated from a pattern of keeping to his regular schedule of appearances, was warmly welcomed by Democratic and Republican mayors in a

during the early days of the crisis, there were signs that Republicans were growing impatient with their strategy. The Senate majority leader, Trent Lott of Mississippi, told a conservative group Bleiler's attorney, Terry Giles, said Mr. that "honesty, credibility, integrity, de-Bleiler and his wife thought Ms. Lew-cency and trust do make a difference." His allusion to the president's problems was clear and drew lond applause.

And Senator John Ashcroft of Mis-

true, he should resign.

"It is time for us to say that which we seeing the Panla Jones civil suit against if these allegations are true you have Mr. Clinton ruled that testimony per- disgraced yourself, you have disgraced your office and the office of the presidency and you should leave,' Ashcroft said in a speech to the Coowelcomed hy Mr. Clinton'a private at- servative Political Action Committee in Arlington, Virginia.

And Friday, too, was generally an Washington held its fourth consecutive upbeat day at the White House, with one day of hearings Friday into allegations Washington held its fourth consecutive that Mr. Clinton had an affair with Ms. Lewinsky, and that he and Vernoo Jordan, a Washington lawyer close to the president, asked her to lie about it.

It apparently was the first time the bearings by a separate grand jury across vet to appear. the Potomac River in Arlington.

A potentially important witness, Evelyn Licberman, a former White House deputy chief of staff, entered the Washington courthouse without com-

ment It was Ms. Lieberman, now director of Voice of America, who reportedly grew dissatisfied with Ms. Lewinsky's performance at the White House and helped

arrange a job for her at the Pentagon. The invesogation headed by the independent counsel Kenneth Starr aroused angry criticism from Democrats by subpoenzing a man it said had only a peripheral connection to the case.

Robert Weiner, chief of press relations in the Office of National Drug Policy, said be was asked by the grand jury whether the White House had encouraged him to make phone calls to Democratic officials in Howard County,

After maintaining a discreet silence Maryland, where Ms. Tripp lives, urging the early days of the crisis, there them to press for an investigation of Ms. Tripp's taping of the phooe calls. In Maryland, phone conversations can be taped only if both parties agree to the recording.

A visibly angry Mr. Weiner later told reporters that for the grand jury to subpoena someone who simply had made phooe calls to personal friends from their own home," could have a "chilling" effect.

The presidential spokesman, Mr. Mc-

The White House spokesmancalled the rising polls 'a testament to the American public's common sense.'

Meanwhile, a federal grand jury in Curry, declined to comment later when reporters asked him whether he thought the Starr investigation was overreaching presidential affairs. its brief. He also said he could not confirm or deny a report that Ms. Lewinsky made a phone call to Mr. Clinton while he was in Bosnis before Christmas.

The grand jury earlier had heard from a former White House chief of staff, meeting only on Tuesdays and Thurs -- Leon Panetta, and from Betty Currie, days. Its work continued in tandem with Mr. Clinton's secretary. Mr. Jordan has

In another development, a Democratic member of the House Judiciary Committee, John Conyers of Michigan, sent a letter to the Republican chairman of the committee, Henry Hyde of Illinois, asking him to investigate what Mr. Conyers called serious leaks from within the Starr investigation.

It was unclear where Mr. Starr's negotiations with Ms. Lewinsky's lawyer, William Ginsburg, stood Friday. Though Mr. Ginsburg indicated discouragement after a 45-minute talk with Mr. Starr on Thursday, the Starr office said Friday that the talks on arranging for Ms. Lewinsky to testify in exchange for a promise of legal immunity could resume at any time. The Starr staff, according to published

reports, was wrestling with the question of how credible a witness Ms. Lewinsky would be, and how forthcoming. Should Mr. Starr fail to secure Ms. did not elaborate on those calls.

Lewinsky's cooperation, he would lose the person who is able, apparently, to provide the testimony that would be most troublesome to the president.

The Jones trial is still set for May 27. Lawyers said the order hy Jodge Susan Webber Wright of U.S. District Court, which said Ms. Lewinsky was not relevant to the case, made sense. Mrs. Jones's attorneys wanted to demonstrate a pattern of behavior by Mr. Clinton. who allegedly made sexual advances to Mrs. Jones in 1991, but there has been on the suggestion that Ms. Lewinsky was sexually harassed by Mr. Clinton.
In Little Rock, Arkansas, the federal

indge who on Thursday ruled the Lewinsky issue could not be raised at the Paula Jones trial issued the ruling Friday on the secret service. The ruling could it has have implications for Mr. Starr's investigation as well.

U.S. District Judge Susan Wehber Wright ruled that the Secret Service can with ignore subpoenas from Mrs. Jones's attorneys seeking information about any 1514......

Judge Wright's ruling does not apply to Mr. Starr's efforts. In fact, it notes that Mr. Starr is seeking Secret Service in-Mr. Starr is seeking occurs want to interfere with his probe. But it supports the legal arguments the agency is prepared to use if Mr. Starr also subpoenas agents.

But Judge Wright's ruling on the But Judge Wright a running Lewinsky issue means that Mr. Clin-Lewinsky issue means that to depose ton's lawyers will be unable to depose to get an Ms. Lewinsky and Ms. Tripp to get an Ms. Lewinsky and Ms. Tripp to get an Ms. Lewinsky and the inside glimpse of how Mr. Starr's investigation is proceeding.

In the two-page statement ripp said and the first statement with the first statement and the first statement statement said and the first statement statement statement said statement sta In the two-page statement released Ms. Lewinsky had described tring tail" of the alleged relationship during tail" of the alleged relationship during tail. hundreds of hours of conversations the two had over 15 months. The women worked together in a Pentagon press office after both left the White House.

fice after both left the write randal fice after both left the write r night phone call from the presideot." while spending the night in Ms. Lewinsky'a guest room, Ms. Tripp said she was also present when Mnnica made and received numerons phone calls which were of a voiance and control nature directly relating to her relation-

STRATEGY: White House Decides It's Time to Hunker Down

Continued from Page 1

the White House after she no longer worked there, and the precise dates of Mr. Clinton's conversations with her in recent weeks.

The issue, said several aides speaking on condition that they not be identified by name, is no longer that Mr. Clinton's awyers on not know answers, but that they see no legal self-interest in having the president give them.

"I don't think the facts are all that complicated," an adviser said. "But I think it would be ludicrous for the president to say anything." Even after newspapers have given de-

tailed accounts of events — such as a meeting Ms. Lewinsky and Mr. Clinton held on Dec. 28, after she was subpoenaed to testify in the Paula Jones case - the White House has said nothing. While spokesmen have declined to contradict the reports, neither will they confirm them. Increasingly, silence is the rule.

"I am out of the loop," the White Hnuse press secretary, Michael Mc-Curry, said Thursday, He joked that his

vision channels, have become a game of oughly prevailed that the argument is "bust the piñata" - with Mr. McCurry the piffata and reporters the sticks. Yet the say-nothing tactic has left the

Mr. McCurry has been besieged by demands to explain why - if Mr. Clinton's denials of a sexual relationship with Ms. Lewinsky and encouraging her to lie are true - it would somehow hurt his legal case to give a detailed ac-counting of their relationship. But the answers have remained nb-

lique, with the spokesman saying only that Mr. Clinton is facing Mr. Starr in a hostile proceeding."

Only on a not-for-attribution basis will White House aides expand on this. Their allegation is that once Mr. Clinton nffers a public version, Mr. Starr might pressure Ms. Lewinsky to tailor her story so that it contradicts the president's.

What was once a robust debate between Mr. Clinton's lawyers and his political advisers about how much be should say about the controversy has been dormant for days.

even Mr. Clinton's political advisers over, Democratic officials said. And said that what they once viewed as a White House in an awkward position. firestorm that demanded immediate attention is settling down.

Mr. Clinton's policy pronouncements, said the White House adviser Paul Begala, are convincing people "that he is worrying about their lives and not about his '

"The American people would much rather talk about his program' than the scandal, he said.

Two Democrats who have consulted with the White House on the controversy said it was conceivable that Mr. Clinton would use the legal case to avoid addressing the matter for the balance of his term. Mr. McCurry dismissed these predictions, saying Mr. Clinton wanted to talk and that the White House was continually reassessing its strategy as newdevelopments unfalded.

But for now, the choke on answers remains. When Mr. Clinton and Prime Minister Tony Blair of Britain hold a The White House counsel, Charles news conference Thursday, Mr. Mcdaily briefings, which in recent daya Ruff, and Mr. Clinton's personal athave been carried live on several tele- torney, David Kendall, have so thor- questions on the Lewinsky case.

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Ish Road By Craig R. Whitney New York Times Service PARIS — Reinforcing American threater Paris Warns Baghdad of 'Very Grave Consequences "The French have said what they have to say in a more helpful way than ever before," one American official said. "They are also one American official said." They are also

Paris Warns Baghdad of 'Very Grave Consequences'

that it faced "very grave consequences" un-less President Saddam Hussein allowed United Nations inspections of suspected chemical and biological weapons sites to tesume. French officials said after a half-hour rele-

phone conversation between President Jacques Chirac and President Bill Clinton on Friday evening, Paris time, that Mr. Chirac economic sanctions imposed after the war in had agreed to use his own channels to convey the seriousness of the situation to Iraq, and to use French influence with Russia and China to agree to a strong United Nations resolution ehemical, and biological weapons and decalling on Iraq to cooperate with the UN

If Iraq complied, Mr. Clinton would be open" to the possibility of allowing Iraq to sell more oil for money to buy food and medicine for its beleaguered civilian population, French officials said.

Mr. Chirae's spokeswoman, Catherine Colonna, said that the Freoch objective remained "finding a diplomatic solution to the crisis by trying for unanimity in the Security Council," and that France still preferred diplomacy to the use of force.

But Mr. Chirac and other officials have shifted France's position close to acceptance of military action against Iraq if Mr. Saddam continues the confrontation. "We prefer diplomacy, hut there are other options," a dip-

Another French official said, "We have always believed that a military operation carries many risks, but the hall is in Saddam Hussein's court, and we still think that intensified diplomatic efforts could get him to change his position."

The French foreign minister, Hubert Vedrine, said after meeting Thursday oight with Secretary of State Madeleine Albright. I understand that all options are open, and this is why it is necessary to intensify the search for a diplomatic solution."

There has been no change in France's position," Yves Doutriaux, a spokesman for Mr. Vedrine, said before the conversation between the two presidents Friday, but American officials said that France had oow made clear that it is willing to be closely associated with American warnings to Iraq, even while hoping that force would not have to be used.

"The French have said what they have to say in a more helpful way than ever before," one American official said. "They are also PARIS — Reinforcing American threats of aware of the value of unanimity in the Semilitary action, France warned Iraq on Friday curity Council," Russia, which has a percurity Council said manent seat in the Security Council, said again Friday that it was opposed to the use of force in the current crisis, as was China.

Last October, France, Russia, and three other countries abstained from a U.S.-supported Security Council resolution threatening oew international sanctions, in addition to the Gulf in 1991, if Iraq did not cooperate more fully with inspections to ensure that it stroyed all stocks and factories.

lraq then tried to bar Americans from the inspection teams, and American officials said the split in the Security Council had encouraged the confrontation.

France, siding with Russia, argued then that American implacability toward Mr. Saddam was driving him to defy the UN resolutions requiring Iraq to get rid of all its nuclear, chemical and hiological weapons and submit to inspections to ensure compliance. If Iraq knew that complying would get the economic sanctions lifted, the French argued, it might have a reason to cooperate.

That remains France's position, but French officials now say they share American irrit-aoon with Mr. Saddam's behavior. "We don't understand what he thinks he is doing," ooe official in the decision-making process said.

■ Beware of Saddam Trap, French Say

Though ready to assist the growing U.S. pressure campaign oo Iraq. French national security officials have privately told their American counterparts that it would be a mistake to go through with the threatened attack, The Washington Post reported from Paris.

"If there is a military strike we will fall into the trap Saddam Hussein is preparing for us."
a senior French official said.

He is prepared to suffer a strike. He will rally his population around him. He will have Arah opinioo on his side, and he will say, 'O.K., oow for the inspections, it is finished.

French officials are arguing that an untimely eod to the UN inspections program would be a grave loss to efforts to eliminate



Secretary of State Madeleine Albright and the Russian foreign minister, Yevgeni Primakov, arriving at Madrid airport for talks Friday. Moscow strongly opposed the use of force against Iraq.

IRAQ: UN Chief Warns Saddam He Stands at 'Precipice'

Continued from Page 1

would act without the agreement of its allies. "I think everybody has agreed that it would be good to keep the coalition, "he said, "and I think Washington understands that."

Speaking of Mr. Saddam, Mr. Annan said that "quite a lot of effort has been made by French and Russian officials to get him to understand the implications of sustaining the position he has taken.'

"It would be foolhardy to sustain this positioo and have another sethack, particularly for the Iraqi people." he added.

After months of setbacks, in which Bagbdad has rebuffed UN inspectors, "there is considerable frustration and impatience that he may not have any intention of complying and that force may have to be used as a last resort," Mr. Annan said.

Asked if Washington or its allies had indicated what might be achieved by a military strike against Baghdad or if there was strategy for what to do afterward, Mr. Annan said this was a matter that the UN Security Council would discuss.

awkward situation."

■ Russian-U.S. Split Endures Russia and the United States remained ar odds over Iraq on Friday, Reuters reported from Madrid.

Mrs. Albright said after meeting with the Russian foreign minister, Yevgeni Primakov, at the Madrid airport that Iraq oeeded a "strong message" that the international community would not tolerate its obstruction of arms inspections.

On what appeared to be a lastditch diplomatic shuttle to solve the Iraq crisis, she met Mr. Primakov to hear the results of a missioo to Baghdad by a special Russian envoy.

"I remain skeptical that diploma-cy will solve this problem." Mrs. Alhright said after a two-and-a-half hour meeting with Mr. Primakov. "Our patieoce is running out and

our diplomatic route is all but exhausted," she said. "Unfortunately, there is no concrete evidence that Iraq is negotiating other than for

The two diplomats entered the meeting sharply at odds over how to "I do not want to prejudge what handle the crisis, and the talks ap-they do or say," he added. "That peared to have done little to narrow curity reasons."

would place their deliberations in an their differences. In response to Mrs. Albright's expression of impatience with Mr. Saddam, Mr. Primakov said, "We're a little more patient."

Speaking in Davos, his prime minister, Mr. Chemomyrdin, said: "Everything must be done to find a poliocal solution. Bombing would make matters worse, not only in the Middle East but in the world at large. We have to use all other available means and negotiations."

Mrs. Albright has warned Iraq that Washington is prepared — with or without international support — to attack from its force of 30 ships and 300 warplanes in the Gulf.

Iraq has declared what it terms presidential sites off-limits to the in-

It also denies that it has developed chemical or biological weapons and demands the lifting of economic and other sanctions imposed by the United Nations after Iraq invaded Kuwait in 1990.

A UN official in Baghdad said that a few dozen staff members were moving into designated hotels in time to meet a late Saturday deadline after Iraqi authorities asked them to

swarmed into the Finance Ministry

to arrest two officials on charges of

hribery and then raided four banks to

collect information that could aid the

deepening investigation of the cozy

relationships between husiness and

government. The officials are ac-

cused of accepting not cash but lav-

By midweek, the arrests by the prosecutors had prompted the resig-

nations of Finance Minister Hiroshi

Mitsuzuka and his deputy, Takeshi

special program and who really run

the ministry, and therefore have not

yet reached the core of the bureau-

cracy. But the assault on the min-istry, known as the MOF, bas made

significant inroads, and many say it

could eventually touch the elites and

former prosecutor, said: "The MOF

has been considered a sacred place

where no one could advance, and

MOF bureaucrats thought that way.

too. But the scalpel has been inserted

into this place, and that's very sig-

nificant. It's a warning to the banks. It's a warning to the people as

The Finance Ministry has been

besieged by the bribery scandal just

Michio Sato, a legislator who is a

thus mark a turning point.

ish meals and entertainment.

Коппшта.

U.S. Calls **China More Tolerant** Of Dissent

The Associated Press
WASHINGTON — The State Department said Friday in its annual report oo human rights worldwide that China took a "somewhat more tolerant" attitude toward dissent last year hut that serious rights problems remain.

"The government exhibited some limited tolerance of public expressions of opposition to government policies and calls for political reform," the report said. It said that during the year, a number of dissidents, academics and former officials issued public statements, letters or peotions challenging the government's policies and calling for reform.

A year ago, the report asserted that "all public dissent against the party and the government was effectively silenced." There is no such conclusion in this year's report. Nonetheless, it found that China during 1997 "continued to commit widespread and well-documeoted human rights abuses, in violation of internationally accepted norms stemming from the authorities' very limited tolerance of public dissent."

The report, mandated by Congress, covers all countries and dependent territories and has been issued annually for two decades. "Strong authoritarian governments in many parts of the world kept themselves in power through systematic abuse of the human rights of their citizens," the report said. "The dismal scenario is all too familiar."

It found pervasive rights abuses in a number of countries, including Burma. Cuba, Nigeria, Algeria, Rwanda, Burundi and the Democratic Republic of the Congo. It saw hopeful signs in Romania, Bulgaria, Albania, Bosnia-Herzegovina, Guatemala and Egypt.

The report concluded there were "serious human rights abuses" hut some improvements in territories controlled by Israel as well as in those subject to Palestinian jurisdiction.

In Turkey, widespread human rights violations continued, it said, and Russia "took a big step backward" with pas-sage of a law restricting freedom of religion. Highlights on other problem countries included the following:

Algeria - With an "alarming hrutality," as many as 1,000 civilians were being killed each mooth.

Stidan — The government used extrajudicial killings, disappearances, torture and the harassment of suspected opponents to stay in power.

Afghanistan — A state of near an-archy remained, with arbitrary and summary law enforced by armed factions in territories under their control.

to commit extrajudicial killings, beatings and rape. The regime continued its restrictions on free speech, and the rights of assembly and privacy.

Cuha — The totalitarian structure

remaios unchanged. Police confinued to use excessive force, occasionally resulting in deaths.

Chubais Seems The prosecutors have so far not Resigned to

By Jonathan Gage

Leaving Office

International Herald Tribun DAVOS. Switzerland - Let me share my dream with you," Anatoli Chubais said Friday, the day his boss, Boris Yeltsin, announced that he would not seek a third term and had chosen a preferred successor as president of Rus-

sia, but would not identify him That preferred successor is highly unlikely to be Mr. Chubais, the economic reformer and politically shaky first deputy prime minister.

When I left office temporarily in 1996, "Mr. Chuhais said in an interview, "I did not have hundreds of offers from

fers.
"I do not think it should be a problem to decide what to do whenever I leave

government," he said, because so many of the offers "were so attractive." Besides, he said in comments during

the annual meeting of the World Economic Forum here, he would never want to replace Mr. Yeltsin, because "I know ion good what it is to be president in Russia.

Mr. Chubais, whose future is viewed nervously by financial markets, has shared much of the political pain of Mr. Yeltsin's years in office as his point man on political and economic reforms. But that role has brought him many political enemies as well as a dose of public

unpopularity. To particular, Mr. Chuhais said, the last three months "have been the most difficult, the most complicated, the most daogerous" since 1995, because of swift

and unexpected contagion from Asia's economic turmoii. "We had never had such an expe-

rience." he said. Despite a falling ruble, which required

Russia to raise interest rates Friday, Mr. Chubais contended that the country had state of the economy. While his figrowth of 2 percent in 1998.

■ Yeltsin May Reshuffle Cabinet

thought it might be necessary to change 'one or two" members of his cahinet,

He also said he did not plan to run in later, Japan opened its borders to the next presidential election, due on

hoping that force would not have to be used. Iraq's weapons program.

PORTUGAL: Fears of a Small EU Country

Continued from Page 1

rich countries," said the Portuguese oovelist Jose Saramago on a visit to Germany last fall. "The smaller countries have oothing much left to them than to negotiate the

It's true that Portugal, like Belgium or Ireland, has little choice hut to go along with the economic unification of Europe And possibly Europe's smaller countries have moch to gain in what promises to be the world's second-largest currency and

economy. Portugal's economy closely tied to Spaio's, and its top export market is Germany. As the Swiss are discovering, economic isolation from the new continental hehemoth is bound to have ill consequences. The Portuguese, in any case, have little objection. In polls, they favor the European currency

by wide margins. Portugal will be the poorest country in Europe to be part of the first round of European ment of the new mooey. Only Greece is by some measures poorer, and it is certain to be excloded from the first round of euro countries for failing to meet qualifying fiscal targets. Denmark and (Britain, Sweden qualify but intend not

to join for now.) Portugal, with a population of 10 million, thus will be yoking its future to that of countries as distant and different as Finland and as big and muscular as Germany. Some Portuguese smell trou-

Martim Avillez, who raises oil south of Lisbon, said, "Who will make the de-The U.S.A. Will we be able to

flow of goods and labor and opportunities.

culture will enhance Por-

tugal? The provinces," said lag far behind, Jose Manuel Martins shantytowns and impover-Carneiro, director of the Na- ished villages attest. is, Portugal is like North Africa. They're surprised to find we have cultivated

people bere." Even as their larger fellow members of the EU's "Clnh Med," those countries along Europe's Mediterranean rim. were still struggling for credibility, Portugal made a convincing case for membership in the currency union by driving dowo its deficit, debt and unemployment levels. A program of fiscal discipline and economic development begun under a conservative ney to Brazil. government has been cootinued by the Socialist incum-

Italy and Spain, it appears, also will be in the first round of 11 countries expected to be selected in early May. The new corrency is scheduled to Monetary Union, the instru- come into effect Jan. I, at which time public and private borrowing and foreign-exchange transactions will begin to be priced in euros. Over the following three years, national currencies will be phased out and replaced by

euro notes and coins. The manifestations of Portugal's economic success are evident in a vast construction boom that has torn up city thoroughfares and churned the earth along new super-

On a Sunday afternoon, the parking lots of huge shopping plazas are jammed with cars; grapes for wine and olives for during the week, the cars surround clean factories in industrial parks. The Lisbon cisions? Germany. France. stock exchange is hot, and investment bankers are looking kindly on privatization

A new technocratic class tugal's image on the Contin- has emerged from the eco-"There is no room left in eot, often caricatured in a nomic boom that followed this world for smaller coun- country like France by the Portugal's lare emergence, in tries unless they manage to be Portuguese immigrant work- 1974, from four decades of accepted into the club of the ing as a concierge or in a conservative dictatorship. Modernization has been so. "For Europe, what is Por- swift and uneven that some

> tional Palace of Pena, a his- "This is the culmination of toric castle and museum in the democratizing process Sintra, near Lisbon, "In Par- but it goes along with a sharp concern about being marginalized" inside Europe, said Alain Galibert, the chief investment officer for Europe at

Rothschild and Co. The showcase of Portugal's recent economic development is a world expositioo in Lisbon this year that and revitalize the city's eastern waterfront.

Scheduled to open in May, Expo '98 will mark the 500th anniversary of the explorer Vasco da Gama's first jour-As many Portuguese tell it,

the looming challenge of membership in a European colossus may be less formidable to a people who are old hands at adapting to foreign cultures and making the best

Portugal has had long experience of invasion (by the Carthaginians, the Visigoths, the Moors, the Spanish), a rich history of seagoing, fishing and exploration, a heritage of global commerce and colonization (Brazil, Angola, Mozamhique) and a language spoken today by 200 million

people. This history bas created a highly cosmopolitan and at times world-weary Portuguese nature that accepts Europe's closer embrace with varying amounts of apprehension, resignation, curiosity and equanimity.

Better times have come since Portugal joined the European Union in 1986. Its rapid development, economic growth and plummeting unemployment are thanks in Others hope that the freer projects and other Portuguese large part to its EU member-

euro and I'm getting a political euro. an honest and forthright way."

JAPAN: Ex-Prosecutor to Head Troubled Finance Ministry Continued from Page 1 ed and detained officials in the Board Early this week, 100 prosecutors of Education.

Mr. Matsunaga was a prosecutor early in his career, and it is Tokyo prosecotors who are leading the challenge these days on the cozy world of reciprocal back-scratching in Japa- ecutives with politicians and senior nese high finance. In particular, Ja-pan has been riveted by the sight of prosecutors investigating and arrest-The upshot may eventually be that could draw g million visitors nance, the apex of Japan's hureau- hand over the bureaucrats, reversing

> In the carefully layered hierarchy comparably more prestige than proselemeotary-school pupils investigat- istry oo every decision.

Some analysts say that the pros-

ecutors' newfound tough-mindedness could help loosen the "iron triangle" that has linked Japanese business ex-

ing officials in the Ministry of Fi- the politicians will gain the upper the traditional system under which it is primarily hureaucrats who govern of the Japanese government, where the country. Moreover, a new en-Finance Ministry officials have in- vironment could embolden corporate executives to strike out more on their arrested any bureaucrats on the fast ecutors, it is a bit as if a class of own, rather than consulting the min-track, the ones who are recruited in a

KOREA: Stocks Soar on Debt Accord

Continued from Page 1

appropriate level given the size of short-term deht still in the country."

The stock market reaction also cootrasted with figures released by the National Statistics Office that showed manufacturing entities had produced at only 73.4 percent of capacity in December, their worst showing so far in the financial

Retail and wholesale sales, the statistics office added, declined by 4.9 percent in the mooth.

In addition, the office said the seasonally adjusted jobless rate for December was 3.1 perceot, the highest level since 1993, with 658,000 people unemployed.

Mr. Lim's emphasis on obtaining fresh credit for conglomerates ran the risk of appearing to contradict some of the recommendations of the IMF, which has called oo the chaebol to slim down drastically and adopt realistic goals.

The Finance Ministry has esti-

mated Sonth Korea's foreign debt at \$153 hillion, including \$80.2 hillion bring up currency reserves to a more due by the end of this year. Interest alone on debts over the next 12 months totals \$10.4 hillion, according to the ministry.

'First we have to restructure our nonperforming assets," said Victor Kang, sales manager of Hoare Govett Asia, "We also need foreign investment, and we need corporate swaps, in which chaebol agree to merge or sell their unprofitable entities.

Mr. Kang was not impressed by the elosure of the 10 investment banks. "They were already in a coma, he said. "It was better to kill them off rather than cootinue to try to

salvage them." The chaebol indicated they were planning to increase exports, hoping that the devalued won, which is still down 88 percent from its value 18 months ago, would enable Korean products to compete at lower prices abroad. Overall, the chaebol plan to increase exports by more than \$11 billion over last year, according to Yonhap, the semi-official South

Korean oews agency.

Mr. Bolkestein says he is sure that the Dutch discussion will attract attention in Germany where a Bundestag debate on who participates in the euro is tentatively

with "some backlash" if it voted against among the candidates when the Parlia- a candidate, Mr. Bolkestein acknowledges, but he adds that it would do no good to be quiet now and say "I told you so" in the euro next year, then Mr. Bolkestein four or five years. From his country's point of view it is important to speak out now because it has no alternative to going ing recently with a Bundesbank governor most I can do is to tell our government to

on the subject in Brussels at the meeting But his next sentence touched on Italy, of the European Council on May 1, 2 and

scheduled for April 22 and 23. The Netherlands would have to reckon

forward with Europe. "The Brits can stay separate," Mr. Bolkestein said, "but we're very much tied to the Continent, Germany in particular. It will not in practice prove posforeign rice.

DUTCH: Politics of European Monetary Union Questioned by a Potential Prime Minister

him for the remarks. Three years

as it is trying to win passage of crucial private business. I had thousands of oflegislation to stabilize the financial system, diffuse a banking crisis and jump-start the ailing economy.

The new leaders at the Finance Ministry face a formidable challenge. Koji Omi, chief of the Economic Planning Agency, said Friday that the "nation's economy is worsening," suggesting that the agency might downgrade its assessment: For the past couple of months, it has said that the economy is at a "standstill."

A corporate survey by the agency also showed that business executives expect the economy to suffer a sharp setback, partly from concerns about the health of the nation's financial system. In another swipe at the ministry, the

Nihon Keizai Shimbun, the leading economic daily, reported Friday that illegal tohashi deals, in which a company transfers its losses elsewhere to dress up its accounts, were done at Yamaichi Securities Co. based on advice from the Finance Ministry. Yamaichi shut down in November after 100 years of business, Mr. Matsunaga acknowledged his.

challenges, particularly the serious

nancial background may not be strong, be nonetheless has a reputation for speaking out on occasion. Indeed, when he was minister of international trade and industry in 1990, he suggested that the governtime, Toshiki Kaifu, reprimanded

President Yeltsin said Friday he

ment lift its long-standing ban on rice but that Viktor Chernomyrdin should imports. The prime minister at the stay as prime minister, Reuters reported from Moscow.

July 9, 2000.

Time to Hunker Doich Marie Vi 1

 $\chi_{(\pi^{\frac{1}{2}})^{-1}}$

With the

total.

1 year

funds. France is "still light years away" from the labor market reforms that would make it a confident partner in a common currency, he said. This is true to a lesser extent in Germany, he continued. But it insistent in portraying his concern about was the French Socialist government that the EMU as deeply felt. had made "sterile" and "irresponsible" choices in proposing a 35-hour workweek for 39 hours' pay.

Continued from Page 1

old-fashioned left-wing thinking," ac-

cording to Mr. Bolkestein, and this will

common currency and negative effects

on the capital built up in Dutch pension

Essentially, in the run-up to the euro, dominance over economics and that is "It's the heavy hand of Jacohinism. not a good thing.

must join, then he is saying we need the and its tone wasn't favorable. Mr. 3. euro for political reasons, and I don't see · Bolkestein mentioned the Maastricht crimean inflationary pressures on the new that." Talking this way is not new for Mr.

When Mr. Chirac says 'of course, Italy

Bolkestein, and it certainly is not calculated to do him harm in the domestic electoral context since France moved to the Italian debt doesn't." block the appointment of Wim Duisenberg, a Dutchman, as the first president of the European Central Bank. Bot he is ment debates here April 28-29 on who the

who told him that the EMU's central risk vote against countries that doo't come up was no longer whether it would come into to standard. That will be done by a res-Mr. Bolkestein said, "politics are taking being, but whether it would collapse after olution by the house." three, four or five years. no reason that it should collapse if the likelihood that the government would sible for us let the EMU come into being

teria's requirements relating to public debt as a percentage of gross national

product, and insisted that "it must descend in a persuasive manner - which If there are still subpar performances government should back for entry into Mr. Bolkestein tells the story of meet- says, without further specifics, "The

Considering the fragility of Holland's

The politician's reaction was: "I see alliance-based politics, there is almost no

The basic thing is I voted for an economic candidate countries satisfy the criteria in veer from such a resolution when it votes without ourselves being a member."

Turkish Abuses

Turkey's secular leaders like to talk about the subversive activities of Islamic politicians and Kurdish separatists, but the gravest threat to democratic order in Turkey in recent years seems to have come from the secular leadership itself. An official investigation bas found that between 1993 and 1996 the government of Prime Minister Tansu Ciller cannived with drug gangs, gambling moguls and right-wing hit men to assassinate enemies at home and abroad and to sponsor a failed coup attempt in nearby Azerbaijan.

The current prime minister, Mesut Yilmaz, has properly expressed outrage at these abuses and promises further inquiries into possible misconduct during the Ciller era. But the problem was not limited to Mrs. Ciller's term. and Mr. Yilmaz must not restrict further inquiries to protect government agencies and officials. His recent declarating that he opposes probing into areas that would "harm the state" sounds like a transparent pretext for circumscribing further investigatioo.

The initial investigation was spurred by the 1996 crash of a car carrying, among others, a senior police official, a drug smuggler wanted on murder charges and a pro-government Kurdish militia leader

These unlikely companions were

traveling together, investigators found, because police and intelligence agencies, under government nrders, were cootracting with criminal gangs to murder real and imagined polinical op-ponents. The targets included Kurdish rebels, suspected Armenian terrorists and those believed to be their financial supporters. The report also found that the Ciller government had aided a failed plot to overthrow the Azerbaijani president, Heydar Aliyev, in hopes bis removal would protect drug smuggling routes through Azerbaijan.

The investigators looked mainly at the Ciller perind but also found that links among government security agencies, right-wing death squads and criminal gangs went back much earlier, at least to the time of a 1980 military coup that was followed by a period of severe repression. These earlier links should now be explored more closely, including the period in the early 1990s when Mr. Yilmaz previously served as prime minister.

Further investigation is also needed into possible connections between the armed forces and death squad-style killings in Kurdish areas. The collusinn between the government and the underworld that has now been exposed must be eradicated and never repeated. -THE NEW YORK TIMES.

U.S. Aid to Israel

Israel is proposing a fundamental and positive change in the large part of its relatiooship with the United States that is shaped by U.S. foreign aid. Right now it is a favnred and conspicuous aid recipient. For 20 years, since its peace with Egypt, it has received an annual \$1.2 billion in economic aid. That would now be phased out in 10 or 12 years, ending Israel's status as an economic dependent.

For two decades Israel has also been receiving \$1.8 billion annually in military aid. This would not only continue but would increase over the next decade to \$2.4 billion, confirming Israel's status as a strategic partner.

Certainly it makes no sense for Israel to linger on as an economic client. It is unnecessary and demeaning. In the long period since Israel started getting the \$1.2 billion in economic aid, its gross national product has increased from \$20 billion to a stunning \$98 billion. Israel is, by world standards, a ricb country. That \$1.2 billion would be much better spent for the development of genuinely needy countries. That's what foreign aid ought to be for. Nor should the Israelis

want to dissipate the political benefits of terminating the aid by stretching the

process out for years and years. It is as a security partner of the United States that Israel has a far better claim for an American band. The two countries share a range of military risks, and the United States bas long since accepted a commitment to help Israel, a friendly democratic country with strong ties to America at many levels, meet the large special risks of its neighborhood. This commitment to Israel's security is the foundation of American diplomacy in the Middle East, Without it, the United States would have scant authority to ask countries of the region to come along.

The numbers are always arguable. of course. Here are some, Israel spends 20 percent of its budget on defense, the United States 16. Americans spend about 40 times as much in the defense of Europe as they would spend in the defense of Israel under the new proposal. An Israel strong enough to take the risks of peace is a good investment for the United States.

-THE WASHINGTON POST.

Tobacco Trance

The chief executives of the major U.S. tobacco companies told Congress Thursday that they could not "agree," as one unfortunately put it, to compredeosive tobacco legislation that did not include limits an their future liability. It was an odd and anachronistic cboice of words in testimony otherwise carefully crafted by the companies' public relations people to sound somewhere between virtuous and contrite.

The implication was that this was still to be regarded as a deal instead of an act of Congress and an expression of national policy. But the deal stage has been left behind, and the Founding Founders left the tobacco industry out of the constitution. The companies may once have had the political power to block what they continue to resist; they don't now. 'We don't need the tobacco industry's blessing" to pass a bill, Representative Henry Waxman said, and he's right.

The industry looks upon limited immunity as the quid pro quo for all the rest that is likely to be in the bill - the money it would have to pay, the marketing and other regulations to which it would become subject.

The executives made no secret of that Thursday. Nick Brookes, chair-man and chief executive officer of Brown & Williamson Tobacco Corp.. said in prepared testimony that the likely effect of any legislation would be declining sales, and 'as declining sales are spread over our fixed costs, our profits must fall."

He continued: This is "the reason we cannot agree to any legislatioo that does not include the limited, commonsense civil liability protections" in the deal the companies struck last summer with the state attorneys general who were suing them. "We cannot agree to give up our constitutional rights to market our products to adults and consent to crushing annual payments and

... penalties, without receiving some certainty as to the future of our business. To do so would risk destroying not just Brown & Williamson but an

entire industry But saving the industry is not what Congress should do first. First it should pass legislation to retard smoking, particularly among young people not yet hooked. Then tidy up, figure out bow to split up the money raised and what protections if any to afford the industry. The industry's health and the public's

should be separate calculations. The executives said Thursday that the proposed limits oo liability were not that great. If that were so, they would oot be fighting so hard for them. This is an industry that itself has begun to admit after years of denying that it produces a lethal product. It is in retreat and wants a bill that would let it regain its balance. Congress should keep it on its heels.

Other Comment

- THE WASHINGTON POST

Moderating Growth

To date, we have as yet experienced only the peripheral winds of the Asian crisis. But before spring is over, the abrupt current-account adjustments that financial difficulties are forcing upon several of our Asian trading partners will be showing through here in reductions in demand for our exports and intensified competition from imports. All of this suggests that the growth of economic activity in this country will moderate from the recent brisk pace.

-From prepared testimony by Federal Reserve Board Chairman Alan Greenspan before the Senate Budget Committee Thursday. reprinted in The Washington Post.

Herald TERNATIONAL Eribune

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Sex, Nihilism and American Democracy in Danger

PARIS — If President Bill Clintoo is forced out of the White House, I certainly will not miss bim. If he has been the bahy boomers' president, sn much the worse far them. I nonetheless think that what is happening to bring him down is a sinister signal about the future of American government and

He is being tracked as a liar, but as a liar about sex. His sexual conduct may be disreputable and uodignified, but that is his concern and that of his wife and lovers. It is oot properly a public concern.

Sex and power go together. Power-ful men, and men who seek power, are ofteo sexually predatory, and positino and power are often seductive to women. All this is commoo observatioo, which political biography in every country confirms. It has, in general, nothing to do with an individual's ability to perform public duties with responsibility and success.

The special prosecutor, Kenneth Starr, is attempting to determine whether Mr. Clinton is guilty of perjury or suborning perjury, but this is perjury concerning sex. In principle the affair is about lies and trust, but the subject of the alleged lies is sexual conduct and not the fraud which is the subject of the

Whitewater prosecutor's mandate. Mr. Starr's investigation bas proBy William Pfaff

gressed from the Whitewater land speculation affair to an investigation of whether Mr. Clinton is guilty of lying about his sexual behavior in a deposinion given in the Paula Jones case, or nf suborning lies, with the argument that such lies may demonstrate a pattern of lying behavior relevant to Whitewater.

Few people lack episodes in their private lives of which they are ashamed, which they want to keep private and about which they might lie, if pushed to do so. A confrontation with a television camera, a microphone shoved in the face by a reporter asking brutal questions, does not invite confession or nuanced explanation. There are few in Washington who could not be caught out in this way, on some private subject, by someone determined to do it.

Doing so is a new development in American public life. Public interest in the sexual morality of politicians is oot new; the American puritan temper has never accepted a French-style distinctino between the private and public lives of political figures. Nonetheless, in the past, press, pub-

lic opinino and the law have generally made reasonable judgments about what could be tolerated as private behavior and what was illegal or scandalnus

conduct that undermined public trust and deserved public condemnation. Now private behavior is under public

scrutiny, lies about private behavior invite legal scrutiny and no one is safe. The press no longer is able to draw lines because competitive pressure assures that absolutely anything will eventually find someooe to poblish it.

Once it is published, every other press or broadcasting medium will publish the fact that it has been published Prosecutors and defense attoroeys no longer have scruples about what they reveal to the press in order to influence public opinion.

In the past 10 days every rumor about the president, however sordid, however irresponsible the medium in which it first appeared, has immediately been broadcast and printed by the mainstream media, which attach disclaimers to the reports and disclaim responsibility for the rumor, since it has already been published.

Foreign observers ask bow Americans can claim to lead the world when the country behaves in this way. This is nnt the problem. The cabinet departments and the established policies of government bave, in the short term, their owo inertia and continuity. Presidents are replaceable; their successors

are elected at the same time they are. It also is true of social phenomena

that nothing ever lasts. Excess produces puritan reaction; the Regency in England was succeeded by Methodism and Victorianism: the roaring '20s in the United States were fullowed by the

sober and censorious 1930s and '40s. Commercial television's virtual takeover of American politics, the pbenomenon chiefly responsible for these developments, has been described as a revolution because it has drastically changed American political culture and the way the government, the political process and the press all function.

But a revolution is an event with an

outcome, sometimes a positive one. For what is happening today, the accurate analogy comes from pathology. A lethal virus has been introduced into the American system and is devouring the national substance. We witness what is, collectively, nihilistic bebavior, destruction for the sake of sensating without constructive purpose.

It is making the United States un-governable. The presidency cannot survive if every president is subjected to ioquisitorial moral surveillance. Democratic politics cannot survive if campaigns and partisan competition are conducted by character assassination. The American system is not invulnerable.

International Herald Tribune Los Angeles Times Syndicule

Copycat Newshounds Put the Media's Credibility at Stake

WASHINGTON — It has been only a week or so since the media engulfed the United States in a tale of sex, deceit and disbonor at the White House, But doubts about how we have handled the tale are beginning to surface within the

news business and elsewhere. Our competency is questioned. Our susceptibility to political manipulation is debated. The parasitical nature of the news-gathering process and the superficiality of much of our reporting are exposed to public examination.

Our credibility, already, at uncomfortably low levels, is again at risk. We have gambled with the president's reputation (and our own) on the basis of somewhat shaky evidence and have extrapolated from it speculations about his impeacbment or resignation that appear to some journalists as flimsier The public, according to the By Richard Harwood

our breathless disclosures thus far. Barring a conviction for perjury or obstructino of justice, they want Bill Clinton to finish his term, chaste or not.

I very much doubt that any media organization if hauled into court today could prove the story we have been reporting: that Monica Lewinsky for many months was President Clinton's paramour, bowever that term is

artfully defined. So far as I can discern as a mere reader of the news, no journalist on this story has ever met, talked or corresponded with Mnnica Lewinsky. We know nothing substantial about ber personal history, her reliability or ber veracity. So we are in oo position to judge the truth or falsity of her claims.

The press is emboldened, of course, by the president's history, which is replete with tales

polls, is not overwhelmed by of presumed infidelities and sexual excesses. This gives the media latitude to speculate and cluck but is oot, as the lawyers say, "probative" vis-à-vis Monica Lewinsky. And with-'probative' vis-à-vis ont Monica Lewinsky, her law-

yer has said, this new "scandal" evaporates. The only "truth" we can be certain of at this point is that Kenneth Starr, the independent prosecutor, is investigating her allegations, which were made in tape-recorded conversations with Linda Tripp, a co-worker

in the Pentagon press office. Mr. Starr insists that he bas arrived at no judgments in the case and gives the presideot the obligatory presumption of innocence. It is a matter of record that he has filed oo charges

against President Clinton. Mr. Starr is reported to have in his possession 17 or 18 tapes containing 20 bours or more of

conversation between Ms. Lewinsky and Ms. Tripp in which Ms. Lewinsky describes in lascivious detail ber relationship with the president. But so far as I know, no journalist or media organization — with one or two exceptions - has ever beard any part of these tapes.

It is certain that Newsweek did. One of its reporters, Michael Isikoff, writes that oo Jan, 17 he and his editors listened to nne of the tapes and made a transcript of it. Excerpts from that transcript and other material from Mr. Isikoff's work were made available oo the Internet, found their way into media all over the world and became the nearest thing to "evidence" that an affair had takeo place.

This was a striking example of the parasitical phenomeoon in journalism; thousands feeding on the work of a single reporter or media organization. We consider it an acceptable

side of these officials.

form of plaguarism, and it occurs frequently.

It becomes most obvious, as in the present case, when a story, in its essentials, stalls after the first salvo of disclosure. To the best of my knowledge, none of the thousands of journalists now pursuing in one way or another the Lewinsky-Clinton tale has advanced in any substantive form the basic facts

assembled by Newsweek. Everyone — the press and the independent counsel included - is fishing in unplumbed waters. Before long we will know if Mr. Starr gets his star witness, the unpredictable Monica Lewinsky, and whether he can persuade a grand jury to return indictmeots. Someone is going to be embarrassed — us (the media) or them (the Clintons and their disciples). However it turns out, the sky absolutely and positively won't fall down.

The Washington Post.

In an Angry Japan, Hashimoto Could Be the Real Loser

TOKYO — The resignation of the Japanese finance minister, Hiroshi Mitsuzuka, gave in so rapidly to opposition for the bureaucracy. This band surgically lances a boil that threatened to destabilize the coalition government of Ryutaro

Hashimoto. The speedy end to the crisis may prepare the way for parliamentary deliberations on emergency budgetary measures designed to shore up Japan's beleaguered financial sector. It also indicates the depth of public anger at the recent spate of scandals involving elite bureaucrats at a time when the oation's economy is experiencing neg-

ligible growth. The fact that Mr. Hashimoto

NEW YORK — Decisioo day on attacking Iraq is

about three weeks away. But the

Clinton administration bas not

given the public answers to

questions critical to bow Amer-

ica will win, what it will win, to

What are U.S. war goals? To

force Saddam Hassein to permit

UN resumption of inspection of

his nuclear, chemical and bi-

ological weapons and plans?

How will we make sure he does

not again destroy the inspection

Or is the goal to destroy the destroyer? Over a long period or in a brief series of beavy air

attacks? Does anybody in high

places in Washingtoo think air

attack will permaneotly stop his

planning, making and hiding

tion, which be sees as his guar-

antee of burgeoning, ever more

military and terror power?

If ground attack is inevitable

to destroy the destroyer, is it

better to do it this time around

rather than wait until those

weapons can be used against

the goal, what are we doing to

preveot succession by a regime like his own — Himmler suc-ceeding Hitler? What will the

administration do to make up

for the years of ignoring or be-

traying possible democratic

a UN resolution finding Iraq in

"massive breach" of inspec-tions ordered by the UN and the

Gulf War cease-fire. It would

authorize UN military action.

to veto Washington's resolu-

Russia or China may threaten

to attack without UN political ended.

Washington plans to present

If Mr. Saddam's ouster is

U.S. forces?

successors?

more weapons of mass destruc-

system?

what ends and for how loog.

By Roger Buckley calls for Mr. Mitsuzuka's head suggests that it is becoming increasingly difficult to maintain his authority over the tripartite coalition. It is also possible that the position of the prime minister may be called into question unless Mr. Hashimoto is seen act-

ing to stop the misuse of powers by the bureaucracy. The Japanese public has for decades accepted that politicians operate in a money-tainted world where endless compromises are necessary. Such cynicism was balanced until re-

Explain U.S. War Goals in Iraq

By A.M. Rosenthal

support. Will the United States

withdraw the resolution? Or will

it demand a vote that would

brand the vetoers? How much

aid, trade and loans do we

Americans continue to then pour

Here's a question suddenly

arisen: Will the United States

allow the Russians, Chinese,

French and the UN bureaucracy

to put a gag order on the UN's

most important human asset

against weapons of mass

meeting of the Security Coun-

cil, Russia denounced Richard

Butler, the Australian bead of

the UN inspection commission.

China and France have joined

in. His offense was speaking

clearly about the danger to the world of Mr. Saddam's

weaponry in a visit to The New

He said, for instance, that bi-

ological warheads were already

loaded on Iraqi mobile missile

launchers. That is oo secret, 1

bone, because it has been printed

bere twice in the past two years,

naming David Kay, former chief

U.S. inspector, as authority.
Rossia demanded that UN

Secretary-General Kofi Annan

reprimand Mr. Butler. Bill

Richardson, the American rep-

resentative at the UN, will urge

Washington to oppose any such

thing. That is essential to protect

the work of Mr. Butler - and

the entire corps of inspectors. .

sbould do something else en-

tirely—point ont officially how

war can still be avoided, Iraqi

The secretary-geoeral oow

On Tuesday, in a closed

destructioo?

York Times.

into the vetoing countries?

of the best and brightest, drawn very largely from graduates of

the law faculty at Tokyo University, was generally believed capable of placing national interests above the more immediate monetary interests of lesser mortals. Much of the credit for getting Japan moving again after the war was accorded to its financial bureaucrats.

Those days are now clearly over, but the influence that the bureaucrats bold is still considerable, and in the present cold ecocomic climate it makes cently by a fair degree of respect good business sense for cor-

He should state plainly that

all Saddam Hussein has to do is

carry out the promise that won

his defeated forces a merciful

cease-fire: Open Iraq to com-

plete, ongoing inspection and

destroy his hidden stockpiles.

knows that to keep those

weapons Mr. Saddam re-

peatedly risks war, and by block-

ing inspectious for seveo years

has forced sanction sufferings

on the people of a rich country.

He cost Iraq \$100 billion in oil

trade. That could have fed or given medicine to all Iraqis.

American allies or Third World

states will say so, for fear of his terrorism or greed for his eveo-

Does anybody really expect

Mr. Saddam to permit lasting

inspection and sacrifice his

weapons of mass murder?

Evectually he will have to be killed for the safety of his own

people and of the Middle East.

has been 100 husy to find an-

swers to the questions. But out

of dignity to all wbo will die in

an attack, for whatever goals,

and in obligation to the U.S. public, he should make up his

mind right away and reveal it,

should not exclude answers; it

At the UN and around the

world, countries and officials

that deny or keep sileot about

Mr. Saddam's guilt will share his responsibility for the murder of Iraqis, and for the death of

any American fighting to pre-

vent the launching of those mo-

bile missiles and the warheads

The New York Times.

support

certainly before decision day.

Congressiooal

should demand them.

Maybe President Bill Clinton

tual trade.

Aside from the British, few

Every leader and diplomat

ventional picture to carry much cooviction any more. Mr. Hashimoto has bad no choice but to throw the experienced Mr. Mitsuzuka, a senior leader of the Liberal Democratic Party, to the wolves. This will buy the prime minister some time, but it is far from clear

> much but bounce from one crisis to the next. His aim for now is to shore up the troubled financial sector by gaining Diet approval for vast extra funding to inject if nec-essary into less than steady banks. His cabinet is also slowly getting banks to reveal a more accurate picture of the bad loans that they have preferred to uoderstate or conceal since the Japanese economic bubble

burst nearly a decade ago. Leading Japanese fioancial officials have taken pains recently to reassure the world that there will be no more bank or brokerage collapses. Likewise, Mr. Hasbimoto has pledged that his country will not be the lead-

porations to stay on the right er of any global economic meltdown.

For the moment, though, But what the Japanese elecpublic service is not what the torate wants to see is clearer people think of when they see action by its government in meeting the continuing financial the men in suits. Television news footage of Tokyo district scandals. Each time it hears of fresb outrages involving offipublic prosecutors raiding the cials and the financial sector that Finance Ministry's banking bureau helped put an end to that. they are supposed to be policing, Too many senior bureaucrass the public loses even more conbave been caught with their fidence in its authorities. hands in the till for the con-The incestrous links between the once world renowned eco-

overregulated banking, insurance and brokerage houses deserve to be reassessed. Civil servants and financiers have to stop living in each others' pockets. The size and global importance of the Japanese economy \$11.7 make this an immediate priority whether Mr. Hashimoto can do for the Hashimoto government. With elections to the upper house of Parliament due this

nomic bureaucrats and Japan's

٠ منڌ ان

summer, time is running out on back all the fine-sounding promises Alice of genuine reform.

It would be foolhardy to imagine that the public will easily forgive or forget the bribery and golf course outings. The present cabinet's popularity is some slipping fast. Japan is in for a long session of bureaucrat bashing and the real loser could be Mr. Hashimoto.

The writer, who teaches history at the International Christian University in Tokyo, contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Timid Capital PARIS - [The Herald says in

an Editorial:] The attitude of the Senate checks all curreocy legislation, in spite of President McKinley's declarations in favor of a gold standard, and will prolong the uccertainty in regard to the future until after the Coogressional elections. The result is that capital becomes timid, hesitating to engage in oew enterprises, and idle money is piling up in great centres, some of it being sent abroad for investment instead of being used in developing the country.

1923: Schooling Law

PARIS -- [The Herald says in an Editorial:] Oregon's law, making it compulsory that every child between the ages of eight and sixteen shall attend the public schools, will be referred on appeal to the Supreme Court of motives for his act in court but

outery against it is on the part of Roman Catholics. The strongest argument is that of the traditional parental ownership of the child. Is the modernity of thought destroying tradition? The clergy attach a far greater importance to the declared need of pure religious instruction of the young.

1948: Gandhi Is Killed

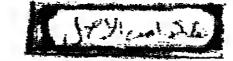
NEW DELHI — Mohandas K.

Gandhi, spiritual leader of the

Indian people, was shot this evening [Jan. 30] by a Hindu fanatic and died within half an hour. The assassin, Nathuram, fired three times at Gandhi as the Mahanna was on his way to address the daily prayer meet-ing. Nathuram, who attempted to shoot himself before capture. was seized by the crowd and handed over to the police. He was taken to jail, where he announced he would explain the the United States. The greatest was "not at all sorry."

tion. That would force America lives saved and sanctions now aboard.

Pad Spectacle



Danger

present the Regency in proceeded by Methodism the roaring 10% in followed by the following the followed by the series followed by the sorious 1930s and 140s.

television's virtual tocrican pointes, the phe-day responsible for these fas been described as a secause it has drastically marcan political culture and government, the political solveniment, the political state press all function.

Habition is an event with an existing a positive one, tappening (1972), the accordance from pathology as her heen thir posted too. res has been that disced into system and a decorning cubstance with the corner collectively, others behaaction for the sales of sention for the sale of sen-tion construction purpose.

Ling the United States untiever president a subjected stic politics and survive a

by at Stake

COMPLETE AND ADDRESS OF THE PERSON OF THE PE

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seed by character and sing-

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form of place, x, on, and noccurs frequent. It become mor business in the present and when a spaev, in its assembler, stalls after the tars said a manage To the best of my source of panene of the Property of Sections. MOW CHINAITS TO WAS OF asserticed to Same of Everyone on the and the adoptions planting water not a way grant di of the disci Che Maria de la como de la como

he Real Loser

erefur va

10 mm 1 125 SENSON E 22.15 - 27 All the second s BATTER 1 T . . . In the same 155 A. C.

Market Mark

VE TANKER 1918: Canding blick

> uses a similar technique. a thoughtful, unhappy American Vietnam Wat et named Ben who returns a Saigon

Masters and the Last-Chance Syndrome

"The Capeman" is bised on a 1959 gung killing.

By Ben Brantley

parade of advice-espensing show doctors: "The Capeman,"

Panl Simon's popoperatic retelling of a street-gang murder in

1959, seemed tohave all the elements that make theater-

be unparalleled irits wholesale squandering of illustrious talents,

including those c the Nobel Prize-winning poet Derek Walcott

(Simon's co-libritist and book writer) and the brilliant cho-reographer Markylorris (the director of record), "The Capeman"

of talent.

show registes as one solemn, helplessly confused drone. It's

it bas to sufer and that there's nothing you can do about it. One does't doubt that "The Capeman" has been a labor of

intense deution for Simon, who began his long, fluid career as

half of the poetic pop duo Simon and Garfunkel. The pro-

the state version. Intricately weaving Latin American rhythm and inflections with the doo-wop harmonies in vogne

in the 1950s, these songs have a contemplative, sensuous

automically translate into the more demonstrative style that

theate demands. It's hard to fault the orchestrations (by

Stanty Silverman) or the musical direction (Oscar Hernan-

dez) I the Broadway incarnation. The problem is that no one

Wht sounds terrific through a headset, however, doesn't

elegane all their own and remain a pleasure to listen to.

is no fun even as a target.

It is certainly not a camp

hoot, along the lines of such

fabled flops as "Moose Murders" and "Carrie." ht's

not even an intriguing "noble failure," the kind that causes

disaster cultists dool.

It may b

unparaleled in

its squardering

TEW YORK — When rarthat collectors or mupatterns tend to become very

strange The last-chance obsession was extraordinary prices that were paid

SOUREN MELIKIAN

sale in which excitement appeared at times to blot out any sense of pro-portion. The \$7,482,500 paid over the telephone by an unidentified hid-der for a sketch in black chalk by Michelangelo is phenomenal even if the hammer price, \$6.8 million, remained fairly close to an unprinted \$6.5 million forecast murmured by specialists hours before the sale on Wednesday.

"Capeman': A Sad Spectacle irregularly cut sheet is 43.5 centimeters (17.25 inches) high. They insisted that the condition was as good as you can get when it comes to Michelangelo. But to the specialist, the small tears, the stains here and there, were all too obvious. Some may say that this is a working study for "Jesus and the Woman of Samaria" (bastily scribbled outlines on the back for the profile of the woman's head and the profile of the woman's head and ▼EW YOR: — For those who regard theatergoing as a nondescript detail of the man's blood sprt, it promised to be the event of the torso may interest a historian but no

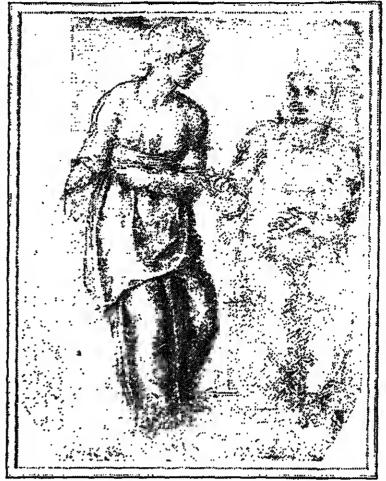
mere mention of the great master's name may find it difficult to ignore such peccadilloes as the gash across But it would tale a hard-core sadist to derive pleasure from the the eye of the woman, or the loss of sad, benumbed spetacle that finally opened Thursday night at the the right hand, cut off at the edge long Marquis Theatre hree weeks behind schedule. Although it may ago. For them, the drawing projects a partially disfigured image of the great master's art. This does not maner quite as much to the 40 or 50 connoissenrs and scholars so intimately damage or missing bits. They see it with the eyes of the mind.

drawing was consigned to Sothehy's hy the Martin Bodmer Founity becomes so extreme dation in Geneva, the private foundation holding manuscripts and rare seums fear they may be books, second only to the Pierpont missing their last chance, auction Morgan Library in New York, added to its attraction. That made it even more of a chance-in-a-million acquisition - foundations are not definitely the main factor in two prone to selling. Hence the furious competitioo that resulted in the at Sotheby's Old Master drawings second highest price paid for a drawing by the master.

This was not the only case of a drawing admired by the happy few soaring to dizzying heights. The excitement that was caused by a small circular drawing in pen and wash heightened with gold by Hans Holbein the Younger is even more astonishing given the size. A mere 5.1 centimeters across, this is a design for a piece of jewelry. In immacu-late condition, it shows a young man in a pool with only his head above water. He gazes yearningly at the Connoisseurs spoke with shin-ing eyes of the large size — the irregularly cut sheet is 43.5 cen-band entwined around a branch of the tree which carries the name "Tantalus" gives the clue to the

subject.
This illustrates the Greek legend of Tantalus, the friend of Zeus who, having proved himself unworthy of the god's friendship, was punished by being precipitated into the un-derworld. There, Tantalus remained steeped in a pool, unable to drink from its water or to eat the fruits dangling over his head, which were wafted away each time he attempted season. I budget of \$11 million; a world-famous compose new to the Broadway musical and openly contemptuous of it traditions; a protracted period of previews replete with tales o desperate last-minute revisions; a frenzied Unfortunately, art lovers who are that one expects from Holbein. The not petrified in reverential awe at the design, probably done as a project for a medallion or a pendent, relates to others in two albums preserved in the British Museum and in the Kunstmuseum in Basel.

> HE small Holbein is little more than a delightful curi-osity. Without its association with the famous master, which is not in doubt even though acquainted with Michelangelo's the name does not appear on the graphic ocuvre that they restore the medallion, it would have charmed without causing much of a stir. The combination of fame and rarity artists. They no longer ask them-In addition, for those connois- changed the equation. No such design selves how much they want to pay, hlack chalk hy Annibale Carracci, or absent-seurs, the fact that the Michelangelo has appeared in the market since this but whether they can reasonably af-



Michelangelo sketch in black chalk went for \$7.4 million.

very same piece was seen at auction ford not to buy great works, of in 1936. The cognoscenti went ber- which they need to have a minimum serk, A London dealer, John Morion number in their inventory. An ad-Morris of Hazlitt, Gooden & Fox, mirable drawing in pen and brown probably acting on behalf of an institution, carried the prize to the tune of \$745,000.

Extravaganzas of this type can be observed only when awareness that supplies are running out becomes acute and spreads right across a whole area of the art market. That is very much the case with Old Master drawings. Dealers in particular, who are forced to be careful about the prices they pay if they are to make a profit, however small, seem to take a new approach to works by great

disputed before tripling its high estimate at \$90,500, courtesy of Mark Brady, a New York dealer in Old Master drawings with a sophisticated taste. Signed and, to boot, dated (1648), it will sooner or later be targeted by a museum. As the market stands today, it was not even

expensive. More than once, dealers vigorover drawings that were particularly strong. Thomas Williams of London went up to \$134,500 to get a study in cules reclining as be grips his cudgel with one hand, is as stern as they come. Several colleagues engaged Williams, including Luca Baroni, another noted London dealer with a love for unconventional drawings.

An inevitable consequence of the growing difficulty in finding good drawings is the inflationary tendency that is now beginning to affect some very minor artists. The sale included a charming if not particularly remarkable sketch in red chalk of a little boy asleep in the arms of his mother. Sotheby's experts hesitated between two artists, Gaetano Gandolfi (1734-18021 or his son Mauro (1764-1834). The sketch climbed to a very generous \$26,450.

More surprisingly still, a study in red and white gouache by Claude Gillot (1673-1722), which was probably done as the final model of a print, more than quadrupled its high estimate and ended up at a steep \$79,500. The labored procession of fauns and satyrs, with Silenus walking behind a chariot in which a barebreasted nymph is seated, is conventional in the extreme. Its rarity notwithstanding tno matching print has been recorded nor is it marked for transfer, which suggests some abandoned project), the price is buge.

N such a context, there is not much left to choose from for collectors with a discerning eye and limited resources. Among the few exceptions, there was a ravishingly poenc landscape in pen and brown ink by Adam Perelle (1638-1695). Slightly faded, suffering from limited foxing, which a skilled restorer could temove, it remains beautifully luminous. At \$1,380 it did not seem wildly expensive. But 20 years ago, its price would have been somewhere in the area of \$100. if that, and there would have been quite a few more drawings of that caliber.

Rarity has not just made prices unpredictable. It has also put an end to a certain form of collecting in which the eye mattered more than money. And with that a whole world ously competed among themselves of connoisseurship is slowly fading away, leaving the stage to academe and its doctoral pronouncements for the benefit of millionaire investors black chalk by Annibale Carracci. or absent-minded tourists "doing"

show registes as one solemn, helplessly confused drone. It's like watching a mortally wounded animal. You're only sorty that India's Pioneers of Modern Art Savor Success

New York Times Service

fessional itelligence and curiosity that have since led him into exploratios of foreign musical cultures in albums like the South HOLAMANDAL, India - The tap-African-ispired "Graceland" (1986) and the Brazilian-flavored Rhythm of the Saints" (1990) is obviously at work in ping and torching sounds of a sculptor at work spilled from a Shed this lates venture, a portrait of Puerto Rican immigrants in a above the Bay of Bengal on a bot afternoon, signs that one of India's most amhostile Nw York City.

Indee, anyone who had listened to the sampler of songs bitious experiments in modern art is still thrivfrom "he Capeman" that was released last year (and was ing after more than three decades. Simon first studio album in six years) had reason to hope for

The artist hunched over his bench, Paramasivam Samanna, was one of 40 students at the Government Arts and Crafts School in Madras who resolved in the early 1960s to devote their lives to art. They pooled their meager funds to buy a plot of land south of the city, and set ont to build a cooperative that would support them and their aspirations. The first group of seveo artists arrived in May 1966. "There was no road out bere then, just a has een able to find the visual and verbal equivalents to cow track," Samanna remembered. "We Simp's multilayered score. Everything in the music melts went shopping once a week with a wood cart, togeher; practically nothing that's said, done and sbown on so we had to live oo dry grains that wouldn't spoil. Cyclones would blow our houses and our work away."

Samanna now spends most of his time in Seattle, where be produces the same kind of whimsical copper, ceramic and bronze sculptures he was making here. In his visits every few years to his old base at Cholamandal, he has seen the Indian attitude toward contemporary art change.

"When we were in school, the only contemporary art we saw was in books about Picasso and Chagall at the British Council and the USIA," he said, referring to the U.S. Information Agency. "As late as 1985 there were hardly one or two art books published in this country. Now there are hig fat ones. If a newspaper covered an art opening in 1985, it was a tiny box, but now you see The Indian Express or The Hindu devoting a whole page with two or three reproductions. There is a market, and lots of rich people are buying. It's

all quite new. One reason the Cholamandal group sur- way to pull India into the modern world.

vived to see this happy day is that its members Extending or reacting to the Bombay Cholamandal artists have been elbowed aside understood from the start that they could not movement, a group of art students handed by young insurgents who complain that they support themselves with fine art. Following crafts, they began producing batik fabric printed in imaginative patterns. For years it was normal for artists here to spend two or three metaphysical and poetic," said Josef James, ter. Its members radiate a sense of satisfaction

pursue their muses. Today Cholamandal, named after an ancieot dynasty that encouraged the arts, is India's largest self-supporting art colony and one of the most successful in Asia. An airy complex contains studios where the artists and Frank Stella." work, cottages where they live, a well-lighted gallery where they show and sell. an open-air theater and a guest house donated by the West German government.

Although the artists here still produce some batik, now they are mostly able to live comfortably from their painting and sculpture. It is widely recognized as some of the best art produced in postwar India, and is shown regularly in galleries across the country. Several Cholamandal artists have also shown in Europe, the United States and South America.

N India as elsewhere, there have been painters who have latched on to nearly every trend in the art world. But the story of 20th-century Indian art is also the story of a series of regional schools.

The first post-Varma school, which sprang up in Bengal, was influenced by French Impressionism. Its exponents used flowing lines and diffused, misty colors to portray historical and metaphysical subjects.

At the end of the 1940s, as the Indian independence movement reached its turbulent peak, the Bengal movement fell before a new generation that rejected mystic sentimentalism as outdated and remote from the modern Indian experience. This movement, based in Bombay, admired Picasso and embraced foreign art as a

dia's eastern coast.

hours each day on batik preparation or other an Indian art critic who has followed the crafts-related work, free the rest of the time to Cholamandal experiment from its beginning. an Indian art critic who has followed the and accomplishment, as much for the growth of They were consumed with the challenge of finding an Indian tesponse to the sort of art that was coming out of the West. They were influenced first by Mark Rothko, then De Kooning and later Cy Twombly, Jasper Johns

> "Madras is where Abstract Expressionism was studied very closely." James said. But like Abstract Expressionism itself, the in this part of the world."

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together in the early 1960s in Madras, now have lost their love of color and have never the Bauhans credo that art needs to embrace officially called Chennai, which lies on In- developed an appreciation of the esoteric aspects of Indian culture.

the art market here as for their own success.

"They are the enlightenment of contemporary art in India," said Santhana Raj, a prominent painter who recently spent several days here. "They have combined Western and Eastern influences and generated a cycle of interest in contemporary art. What has happened and is happening here is of great importance for the growth of art appreciation

the tage seems to connect with anything else. HIS is partly a result, no doubt, of the many disparate hands that the exacting Simon has brought in to shape "The Capeman." In the past year and a half, the show has gone through three official directors: Susana Tubert, Eric Sinonson and Morris, who is still credited for direction and

chreography. But it has also been confirmed that Jerry Zaks, a Tay-wirning Broadway veteran, has been editing and restructring the musical over the last several weeks, aided by the chreographer Joey McKneely, who worked with Zaks on 'Smokey Joe's Cafe.'

They have apparently improved it. The person with whom I aw "The Capeman" had been to a performance in early anuary, and said Zaks had at least managed to clarify the how's story, which follows the fall and redemption of includes America. ialvador Agron, a Puerto Rican gang member who at 16 itabbed two other teenagers to death. Zaks was quoted Monday in The New York Times as saying, tellingly, "I've done about as much as I can with what's there."

If Simon truly knows the heart of Salvador Agron, he has been unable to find the theatrical language for shariog that knowledge.

BOOKS

THE DEEP GREEN

By Robert Olen Butler, 224 pages. \$23. Henry Holt. Reviewed by

I broke onto the literary scene with "A Good Scent From a Strange Mouotio," the masterly short-story collection for which he voo a refugees living in Louttana, those rich, dense tales inter-Wove several vivid and startling motifs, bringing the threads together in why that

The novel tells thestory of

enough to be his daughter.

he learns more about her life complicated. - that she is the daughter of a prostitute, that her father was however, bringing his Amer-Pulitzer Prize. Focusing on an American, that she is 26 the lives of Vietnamese years old. These facts mesh acter of Ben is engaging and from each lover's point of uncomfortably with those of a sympathetic, but the country romantic liaison Ben had dur-ing the war, and once the sus-smell of fish sauce, the sound picion that she is his own child of motorcycles and little else. is planted, Ben cannot rest un- In part Butler is less interested energy both surprising and til he finds out the truth. This here in evoking a place than in the first night the lovers spend immersing us in the passion together. The sex and sparse between lovers for whom the heart of Vietnam along, in- between lovers for whom the conversation are interspersed plores similar territry and evitably the same highway he texture of skin is more imso often traveled as an army portant than the look of the elements that seem at first to be

trucker in the old days. As "Strange Mountain" did, this novel probes the re-tightly on the characters was a intionship between Vietnam missed opportunity. I would virtue to focus tightly on only

nearly three decades later, and the United States. But in have loved to see what But- a few issues at hand, but a begins to think about how find themselves in the ul-His anxiety intensifies as moving, comic and always of her daily existence.

Butler has more trouble, ican to Vietnam. The char- stories as he alternates sections street. Still, the decision to digressions but turn out to be keep the narrative focus so motifs central to the narrative.

looking for some kind of closure. On a familiar street he plored the issue mostly by made of modern Ho Chi Minh to overflow with the messioteets Tien, a young guide for bringing the Vietnamese to City and the countryside beness of life. A handful of mossion tourists. The two fall quickly and passionately in what happens when tradition-world feels unrealistically work of more than 200 pages. love. All goes well until Ben al people from that country sparse, apparently limited to

> that was so successful in the Strange Mountain" again. Fully half of the book narrates

In a short story it can be a

view. Events unfold more who lives in Madison, Wisslowly, however, as he takes consin, where she recently finadvantage of the length of the ished her first novel, wrote form to linger on every detail this for The Washington Post.

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Rachel Pastan, a columnist

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BUSINESS/FINANCE

SATURDAY-SUNDAY, JANUARY 31-FEBRUARY 1, 1998

Mr. Yen' Dismisses Critics of Aid to Asia

Japan 'Doing Its Best' to Revive Economies

DAVOS, Switzerland - The senior

Japanese official for international finance rejected oo Friday accusations that his wealthy nation was not doing enough to help its Asian neighbors climb out of their economic crisis.

Eisuke Sakakibara, deputy finance minister for international affairs, asserted that Japan not unly was pouring money into deals to rescue struggling Asian economies, but also would pump cash into its own economy to become an engine of smooth engine of growth.

"Let me point out that in all the Asian rescue packages, Japan has made the largest contribution," he said

during a panel discussion at the annual meeting uf the World Economic Forum. "In the case of Korea, our contribution was twice as large as that of the United States.

He added: "We are doing our best to try to resolve the Asian crisis, and we are doing our best to pump up demand in our domestic economy. As the world's second-largest econ-omy, Japan has faced contentiuns that it

is shirking its responsibilities in the re-

gion.
The U.S. trade representative, Charlene Barshefsky, fired a new broadside Thursday, dismissing Tokyo's efforts to revive its sluggish economy as inadequate. The U.S. Treasury secretary, Robert Rubin, said Wednesday that Japan needed to reform its fiscal and financial sector.

At the panel discussion here, Kenneth Courtis, Deutsche Bank's chief economist in Asia, assailed the Japanese government's stimulus package as too little and too long in coming.

"Japan is deciding because of its own budget cycle that it is going to wait until uext April or May before it starts to loosen up — maybe — domestic demand," he said, likening Tokyo's approach to failed U.S. policy in the Depression.

"This is the biggest economy in the region," he said, "and if we wait six mouths the U.S. is going to be looking at a \$250 billion trade deficit. The trade and current-account positions of Latin

America are melting as we speak."

But Mr. Sakakibara, whose influential positiun has earned him the nickname 'Mr. Yen," contended that Japan was pulling its weight by cutting taxes and pumping cash into the ailing financial sector — in a package expected to be passed by Parliament within weeks.

"Through the enactment of a sup-plementary budget for 1997," he said, 'we are going to infuse I percent' of gross domestic product 'within the course uf the next

FORUM

That is a big push.

"I am saying that we are ready to take extra measures starting from April. So we have not waited to take bold measures to restore confidence in the Japanese econ-

omy. We have the money and we bave the ability to solve Japan's problems."
Supachai Panitchpakdi, deputy prime minister of Thailand, praised Japanese financial assistance from the public and

private sector as "very, very belpful." 'But in terms uf market access, that is something that we still have to work on," he added. "We need to export our way out of our difficulties."

Martin Kohlhaussen, chairman of Commerzbank AG in Germany, said: Japan itself for too lung has considered the world economy a one-way street," adding that Tukyo must adupt a policy of greater reciprocity. You Jong Keun, a South Korean pres-

idential adviser, was more diplomatic when asked if he thought Japan had dune enough tu help its neighbors with aid. "We cannot really comment on the internal political affairs of neighboring countries," he said, "But I would say we would welcome it if it comes."

Rudi Dornbusch, professor of eco-nomics at the Massachusetts Institute uf east Asia by Japanese banks — esti-



Eisuke Sakakibara, Japan's deputy finance minister, in Davos with Martin Kohlhaussen of Commerzbank.

Technology, said Japan was failing to provide the economic stimulus that it and outheast Asia ueed to create demand. "Let's nut believe for a minute that

Japan in the next munth will inject 1 percent uf GDP into the economy," said. "I think Japan is doing itself, the region and the world a disservice by with this grotesque

"Japan is uu the verge of going into a really bad situatiun," he said of forecastst that the country would suffer zero growth or even see GDP decline this vear because uf its humegrown problems and the regional turmoil.

But Mr. Sakakibara said the gov-

nment was determined to act, with its top priority restoring confidence in the banking and financial sectors, which were hit by bad loans.

mated at about 120 billion yen - was not as bad as widely believed. For example, he said, about 30 percent of the loans to Indonesia were made to Japanese subsidiaries, and many of the remaining loans are to large, sound companies.

"There has been a little hit too much exaggeration un the level of the impact uf the Sontheast Asia crisis ou the Japanese banks. We should bave a balanced view of what kind uf impact this problem has on the international financial community." (Reuters, Bloomberg)

■ Bank of France Is Optimistic

The governor of the Bank uf France said that accelerating growth would en-able European ecunomies to "absorb" the shock caused by the turmuil in Asia, Bloomberg News reported.

*Continental European economies are picking up quite strungly," Jean-Claude Tricbet said Friday at the World Economic Forum. "The economies have the capacity to absorb the extra shock from Asia.

Mr. Tricbet echoed comments by most of the business and economic leaders at the forum. Horst Siebert, an adviser tu the Ger-

man government, expects slowing Asian ecouumic growth to lop about 0.2 percentage points off European gross dumestic product growth this year.

The German undersecretary for fi-

nance, Juergen Stark, said his econumy wuuld suffer no "lasting" damage. "There is a good chance Sontheast

Asia and Japan are getting back on a solid basis," Mr. Stark said after a press conference on measures to promote capital markets in Germany. "There will be uo lung-lasting effects from Asia" uu the German economy, he said, "I see an overreaction to what's happening and the effects it could have.

remains unsurpassed.

that analysis.

uess uf pruviding historical data pack-

aged with analytical software. That

made the company's equipment almust a requirement un Wall Street, for

bankers, traders and others who rely un

The plan would allow companies other

than Network Solutions Inc., a company

that has an exclusive arrangement with

the federal government, to assign ad-dresses that end in ".com," ".org" and

plans to authorize the creation of five new

address suffixes - called "top-level do-

mains" in Internet parlance - that could

Domain names — such as www.ford.com" or "www.disney.

com" - function as a sort of routing

system for the Internet, enabling users to

locate pages on the graphical World Wide Web and address electronic mail.

more individuals and businesses, some

of which have been bickering over

space in the popular but crowded

more closely reflect their names.

.com" area, to obtain addresses that

The report does not indicate what the

five new top-level dumains would be

called. The companies that would man-

age the data bases and sell the domain

names would have to be approved by the

proposed not-for-profit corporation. In-

The five new domains would alluw

be assigned by several companies.

net." In addition, the administration

Amvescap Buys LGT **Asset Firm**

British Money Manager Aims to Expand in U.S.

Computed by Our Staff From Dispatches

LONDON — Arnvescap PLC said Friday it bad agreed to buy LGT Asset Management for about \$1.3 billium in casb and stock, creating a glubal fund

management powerhuuse with assets approaching \$250 billion.

Amvescap said it would pay at least \$800 million in cash and would issue \$500 million in shares to buy the money manager, which is owned by Liechtenstein's royal family. Liechtenstein Global Trust has about \$55 billion of assets, and Amvescap has about \$192 billion.

The purchase will expand the Loudon-based company's U.S. business at a time when the global money-manage-

ment industry is consolidating.

Merrill Lynch & Co. agreed to buy
Mercury Asset Management Group PLC, Britain's largest fund manager, for £3.1 billion (\$5.08 billion) last year in the industry's higgest takeover. Hen-derson PLC, another British fund manager, is in takeover talks with AMP

Asset Management of Australia.
"In an increasingly glubal market-place, a firm's size, scale and strength are more critical than ever," said Amvescap's chairman, Charles Brady. "The combination of Amvescap and GT Global will have the scale and resources to succeed as une of the few truly glubal investment management groups," be said, referring to the U.S. fund unit.
The combined company will not rank

among the world's top 10 money managers in terms of assets. That list is led by the expected combination of Union Bank of Switzerland and Swiss Bank Corp., which would have 1.32 trillion Swiss francs (\$899 billion) in private banking deposits and institutional funds under management.
LGT, with 1,300 employees in 20

offices glubally, has been on the block since October, when Prince Philipp of Liechtenstein, the brother uf Liechtenstein's monarch, Prince Hans-Adam II, hired the investment bank Goldman, Sachs & Co. to arrange a sale.

Mure than six companies made initial bids to acquire LGT, including Credit Suisse Group. The list was whittled down this week to Amvescap and American Express Co.

Amvescap wbeu Invesco PLC uf Britain purchased Houston-based AIM Management As the years passed, Reuters re-Group Inc. for about \$2.2 billium in mained the undisputed leader, offering a

stock and cash. breadth uf market infurmation that still Mr. Brady said recently that be wanted to raise the company's inter-But Bloomberg, focusing on the national money-management business. needs uf institutional investors and in-About two-thirds of the company's vestment analysts, bomed in on the busi-

earnings are derived from U.S. mutual funds and associated 401(k) retirement businesses, analysts said. LGT's U.S. unit, Chancellor LGT,

manages about \$35 billion of assets for some uf America's biggest companies and public pensiun funds. In Britain, LGT manages \$9 billiun; in Germany, \$5 billion, and in Asia, \$6

billion. Two-thirds uf its business is institutional, and the rest comes from individual clients.

Amvescap said Friday its 1997 profit

more than doubled to \$191 million from \$70.2 milliou. Revenue was \$870.3 million, a 136 percent rise from the previnus year.

Amvescap stock -- the best per-former un the Londuu Stock Exchange last year, up 102 percent — rose 34 pence Friday. or 6.5 percent, to 561 pence. (Bloomberg, Reuters)

Postal Strike Takes Toll on Canada GDP

OTTAWA — Canada's gross domestic product fell 0.3 percent in November, as wholesale and retail sales dipped and a national postal strike curtailed output, according to data released Friday.

The moothly decline was the third in 1997 and the biggest decrease since a 0.4-percent drop in March 1995. Shortly after Statistics Canada released the report, the central bank raised its benchmark overnight lending rate by 50 basis points, to 4.50 percent, to defend the Canadian dollar, which has been plunging to record lows against the U.S. currency.

In late trading, the U.S. dollar was at 1.4573 Canadian dollars, down from 1.4651. "We would have preferred that

interest rates not rise, but they are still lower than in the United States," Prime Minister Jean Chretien said.

The GDP data showed declines in 12 of the 18 production groups, increases in five and a steady reading for education services. Gross domestic product gained 3.3 percent from the same month a year earlier.

The report said the postal dispute accounted fur as much as 40 percent of the monthly decline. Communication services fell 2.4 percent as postal services ground to a halt for two-weeks in November after 45,000 workers weut on strike.

MEDIA MARKETS

Case of Crossed Wires? Reuters Unit Is Target of Spy Inquiry

By Kurt Eichenwald New York Tunes Service

EW YORK -- Federal prosecutors are investigating whether an American subsidiary uf Renters Holdings PLC, the London-based news and fiuancial data giant, commissioned computer specialists to steal confidential information from the corporate computers of a major competitor, Bloomberg LP.

The inquiry, under way nearly a year, has included an undercover investigation of the subsidiary, Reuters Analytics Inc., people whu have been briefed on the case said. At least one confidential informant helped the government obtain a wide array of evidence during the investigation, including audio record-

mas of executives.
The purported scheme, through which Renters was said to have ubtained critical proprietary information about Bloomberg's financial software, emerged at a time of increasingly beated competition in the financial data industry. The two companies - far and away the largest in the business - have been battling to increase the number of investment institutions that use their services to decide which stocks, bonds and other investments to trade.

Already, the investigation has begun to reach the London headquarters of Reuters. During the summer, investigators were said to have begun examining the role of certain executives at the company's London headquarters, to determine whether they were aware of the apparent scheme. Indeed, without the knowledge of those executives, their travel to the American subsidiary and contacts with its executives have been

examined by investigators in recent ecutors were said to have developed months, people who have been briefed

on the case said. Investigators think that some of the data obtained from the Bloomberg corporate computers wound up uu the desks of executives in London, people who have been briefed on the investigatiun said. It was not immediately clear whether that data could be recognized as coming from Bloomberg.

The evidence in the investigation indicates that some executives with Reuters Analytics were responsible specifically for uverseeing the scheme, people briefed on the case said. Industry executives said a large part of the division's purpose was to develop a product intended to take over much of Bloomberg's business. But that effort was unsuccessful.

Investigators think the scheme worked like this, according to people who have been briefed on the investigation: The Reuters subsidiary entered into a contract with another company. whose identity could not immediately be determined. Then that company conducted the electronic break-ins of Bloomberg, and turned over the information to Reuters executives.

The investigation, which was said to have been set off by a former employee of one of the companies invulved, is part of a new government effort to crack down on industrial espionage hy foreign companies.

That effort began with the passage in 1996 of the Economic Espionage Act, which made theft of trade secrets a federal crime. Despite that law, the FBI said this month that such espionage against American companies had been stepped up, with the potential damage reaching \$300 billion in 1997 alone. In the Reuters investigation, prosevidence that the analytics division, based in Stamford, Cunnecticut, used the scheme to obtain the operating code of Bloomberg's market data system, which one person briefed un the case described as "the holy grail" uf Bloomberg's product. In essence, the operating system represents the central nervons system of the software on which Bloomberg huilt its business.

pany, declined to comment.

The existence of a grand jury inves-tigation was disclosed Thursday by Renters Holdings. In a short statement, Reuters said the analytics subsidiary was the subject of a grand jury investigation in New York, and added that Reuters was cooperating with the inquiry.

Reuters said the investigation was focused on whether the subsidiary "improperly obtained access to, and used information from, Bloomberg LP's product." The company also said it was conducting its own investigation. Robert Crooke, a spokesman for Reu-ters America, said the company would have no further comment at this time.

impact on the company's stock. Shares of Reuters Holdings fell 7 percent, dropping 42 pence to 550 pence in London trading. American depositary receipts for the company, which are traded on the New York Stock Exchange fell 7 percent, or

\$4.00, to \$53.875 in late trading. The investigation could shake up the highly competitive wurld uf the nearly \$6 billion financial information industry. Some 15 years agu Bloomberg was little but an idea; the industry belunged to Reuters and the company now known as Dow Junes Markets. But both companies failed to notice the phenomenal growth of Bloomberg, which built

Bloomberg was made aware of the inquiry several months ago, people who have been briefed on the inquiry said, and has been secretly cooperating with the federal effort, Federal agents were said to have been permitted to monitor Bloomberg's corporate computers, tracking at least some of the break-ins as they were occurring. Michael Bloomberg, the chairman and chief executive of the com-

The disclosure Thursday had a strong

U.S. Ready to Let Private Body Control Key Internet Functions ardize the stability of the Internet while By Rajiv Chandrasekaran we do it.

Washington Post Service

its fuundation on a squat terminal that

now sits un more than 75,000 desks

around the world.

WASHINGTON - The Clinton administratiun proposed Friday that con-trol of some of the Internet's most crucial uperations be transferred from federal research agencies to the private sector over the next two years.

In a report, the administration laid out a new structure for the global computer uetwurk, which has become a fastgrowing medium for communication and commerce. Under the plan, the government's role in assigning Internet addresses and maintaining the traffic-directing hardware at the heart uf the network would shift to a not-for-profit private corporation that would be run and funded by the businesses, people and institutions that use the Internet.

The proposal, which administration officials said does not require congressional approval, is intended to make the global network's computers more reliable and to open to competition the task of assigning addresses on the uer-work, with the aim of widening consumer choice and lowering costs.

The government's plan to be involved in Internet operations for the next two vears - and fears that the new privatesector corporation will be dominated by U.S. companies and Internet specialists — could upset some foreign businesses and computer user groups that want governance of the network to be more broadly shared, industry analysts said.

The proposal also is likely to encounter criticism from business groups that argue that the increase in top-level domains will make it more difficult to prevent trademark infringement.

public and government review, and possible revision, this summer, administration officials said they expected the plan to be implemented largely unchanged by the end of summer.

prevent major glitches. We want to move it into the private sector as soon as possible," said Ira

But while it will be the subject of

They also said the transition must be spread uut over two years and closely supervised by the U.S. government to

Magaziner, a presidential adviser. "But we also need to be sure we don't jeopto be responsible for operating it.

dustry experts expect Network Solutions to continue to manage the data bases for ".com," ".uet" and ".org." The cost of registering an address, which has been \$100 for two years, is expected to drop with competition, industry specialists say, leading many ordinary users to suap up personalized email and Web page addresses.

The U.S. government created the In-ternet in the late 1960s as a way to belp scientists in different parts of the country better communicate with one another. The network is comprised of high-speed data lines that crisscross the world, connecting major cities and transmitting data from computer to computer. Private telecommunications compa-

nies sell access to the Internet and carry much of its traffic, but U.S. agencies, either directly or through contracts, have continued to manage several key functions. The National Science Foundation and the Defense Department, which have uurtured the network since the 1960s. have concluded that they no longer want

CURRENCY & INTEREST RATES

Jan. 30 Libid-Libor Rates

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Sources: Reuters, Lloyds Bank. Rates applicable to Interbank d

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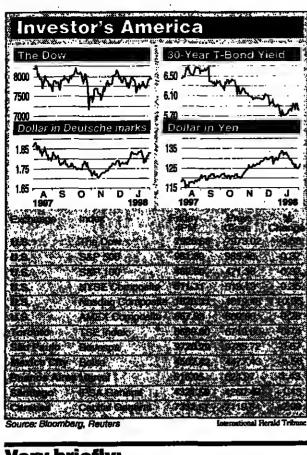
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Very briefly:

- Kellogg Co.'s profit skidded 83 percent to \$14.6 million in the fourth quarter of 1997 because of cereal plant closures and distribution network changes in Europe. The company earned \$87.3 million in the corresponding period in 1996.
- First USA Inc. is testing "titanium" credit cards that give customers access to personal assistants who help plan vacations, make dinner reservations and perform other concierge services. The card is not available to the public.
- WorldCom Inc. plans to split its data businesses into four divisions after its scheduled purchase of CompuServe Corp. on Saturday, advancing a strategy designed to provide corporations with every Internet service, executives familiar with
- Deutsche Telekom AG plans to cooperate with Texas Instruments Inc., the semiconductor maker, in home-en-tertainment and information services. The two companies will sign a memorandum of agreement Feb. 5 at an informationtechnology symposium in Hannover.
- Seagram Co.'s Universal Pictures division is to start an animated film and special effects unit in a challenge to Walt from inflation pressures. Disney Co.'s dominance of animation.

AmeriServe Food to Buy ProSource

DALLAS - AmeriServe Food Distribution Inc. said Fri-

day it would acquire ProSource Inc. for \$342 million in cash and assumed debt as the food services company increases the oumber of restaurants it sells to by 49 perceot, to 38,000

AmeriServe will pay \$15 a share. The amount of debt being assumed was not immediately available.

ProSource, based in Coral Gables, Florida, has had two consecutive quarters of declining profit. Earnings fell partly because the food service and distribution company lost a contract with the Arby's chain.

U.S. and Japan Draft Airline Pact

WASHINGTON - The United States and Japan agreed Friday on a framework for an agreement that would open U.S. and Japanese markets to new air passenger and cargo service by carriers from the other country, a U.S. State Department official

The chief beneficiaries of the pact are AMR Corp.'s American Airlines, Delta Airlines Inc., and Continental Airlines Inc. All of them now have limited access to Japanese destinations. The pact will also allow All Nippon Airways Co. to significantly

expand its access to American cities.

The two sides were to sign the tentative accord later Friday, said a department spokesman, Frank Jenista. The latest round of talks started Jan. 20.

"It certainly looks like it is a great improvement versus the status quo," said Scott Gibson, a visiting fellow with the Economic Strategy Institute in Washington. But he said the emerging agreement was "still not as good as an opeo-skies agreement."

Delta to add new daily Tokyo service from its Atlanta hub; Continental will be able to add daily Tokyo service from Houston and from Newark, New Jersey; American will be allowed to start service to Tokyo from Dallas and Chicago, and service to Osaka from Dallas, Mr. Gibson said

He added that he expected some U.S. carriers would probably delay taking full advantage of the new flight authority right away, given the recent economic turnult in Japan and other Asian coun-

"Adding capacity really can't be justified in some Japanese markets at this time," he said, adding that "over time, this will be a very good deal resulting in significant new service choices between the U.S. and

Mr. Gibson said UAL Corp.'s United Airlines on the U.S. side and All Nippon Airways Co. on the Japanese side would benefit as well from the ac-

Shake-Up in Tokyo Benefits the Dollar

NEW YORK - The dollar surged against the yen and other major currencies Friday amid speculation that a shake-up at the Ministry of Finance will impede efforts to

revive Japan's faltering economy.

The appointment of Hikaru Matsunaga to replace Hiroshi Mitsuzuka as finance minister "wasn't a very inspired choice," said Chris Iggo, chief economist at BZW Securities Inc. "It doesn't represent any radical new approach to dealing

with Japan's problems." In late trading, dollar was at manager of foreign exchange at \$1.6320 from \$1.6390.

Thursday. Strong gains in U.S. bond mar-kets also lifted the dollar, as in-

FOREIGN EXCHANGE ternational investors purchased the currency to purchase securities.

Continued signs of slow growth in Germany and concern over its from 1.8284. exposure to the Asian currency crisis hampered the Deutsche mark.

127.175 yen, up from 125.675 on Sumitomo Bank Ltd. "Germany is exposed to Asia much more than

Citing economic reports showing the German recovery "hasn't gathered that much strength," Christer Stefanssoo of Swedbank said. "The dollar is going to stay strong for the next few months." The dollar rose to 1.8296 DM

The dollar also rose to 6.1320

French francs from 6.1230 francs "People are turning bearish on and to 1.4764 Swiss francs from the mark," said Tatsuya Enomoto, 1.4727 francs. The pound fell to

liday Hires Red **Profit-Taking Slows** Rally by Blue Chips

NEW YORK - Stocks were lower late Friday amid some profit-taking after a three-day rally that

pushed the market back into record territory. The Dow Jones industrial average was at 7,932.16 points, down 40.86, after bobbing into positive territory around midday.

Broad-market indexes turned lower after a brief foray

3 P.M. SNAPSHOT

toward a new high by the Standard & Poor's 500, which on Thursday closed at a record high for the first time since Dec. 5. The S&P index was at 983.54, down 1.95, and the Nasdaq composite index was at 1,619.34, down 0.15.

This is normal profit-taking after moving up 260 points in three days," said Alfred Goldman, director of market analysis at A.G. Edwards & Sons in St. Louis, referring to the Dow.

Stocks have been bolstered in recent days by strong profit reports and a calmer take on the crises in Asia and Washington, as well as the fairly encouraging report by the Federal Reserve Board chairman, Alan Greenspan, to a Senate panel Thursday. After a weak opening, stocks began to recover as Mr. Greenspan and Treasury Secretary Robert Rubin, who addressed a House panel Friday, offered a generally upbeat prognosis of Asia's "Both Robin and Greenspan are telling us to put Asia behind us," said Hugh Johnson, chief investment officer at First Albany Corp. "Yes, the U.S. economy will slow in 1998 because of the impact in Asia, but the impact will be moderate and U.S. economic growth will resume late this year or early in 1999."

Also helping ease some of the worry about the U.S. economy was a report showing that gross development. product grew 4.3 percent in the fourth quarter, significantly better than the 3.6 percent tally many economists had predicted.

Declining issues outnumbered advancers by a narrow margin on the New York Stock Exchange. where volume came to 411.35 million shares, down sharply from Thursday's blistering pace, which produced the fourth heaviest volume in NYSE history.

Investors secured some of their recent gains in technology leaders, pushing Intel and Cisco Systems shares down

Anadigies shares fell as much as less phone equipment said it could 60 percent after the maker of wirereport a loss this quarter because customers were reducing their orders and turning to rivals ders and turning to rivals.

Bonds rose for a second day as investors speculated that Asia's financial crisis would slow U.S. growth in coming months. The benchmark 30-year Treasury bond was op 15/32 at 104 15/32, pushing the yield down to 5.81 percent from 5.83 percent. (AP, Bloomberg)

GROWTH: U.S. Economy Posts Robust Growth With Inflation at Lowest Level in Over 3 Decades

Continued from Page 1

time. He told Congress on Thursday that lower import prices were giving the economy some breathing room

If not for the expected impact from Asia, central-bank policymakers probably would feel compelled to slow the economy with higher interest rates to prevent accelerating wages from translating into faster consumer price in-

In 1997, inflation was extraordinarily tame. A price measure linked to the GDP rose 2 percent, the smallest increase since 1965. In the final quarter of the year, it

increased at a scant 1.5 perceot an-The prospect for continued low inflation sent bond prices higher late

Dow Jones

slower growth in the ecocomy.

the Asian economic crisis was likely to have only a limited impact oo the U.S. economy, which he described Thursday as "exceptionally healthy, with robust gains in output, employment and income.

But he said there was "a small, bot not negligible probability" that the Asian turmoil "could have unexpectedly negative effects" oo Japan, Latin America, Enrope - and eventually the United States.

Mr. Greenspan and Treasury Secretary Robert Rubin called Friday on people." Congress to support additional money to enable the International Monetary Fund to deal with future crises.

debts cannot dig out from their fi-Mr. Greenspan said Friday that nancial problems without help from the United States and other leading world economies.

> At the same time, they said, the health of the Asian regional ecoo- as well as exceptionally strong omy is essential to the strength of the U.S. economy. 'The countries in Asia are our

customers, our competitors and our security partners," Mr. Rubin said in the text of his testimony. "When we support IMF-led reform programs, our purpose is clear; to pro- years that corporations shrank their tect and benefit the American

The U.S. central bank is expected to keep interest rates steady when it meets next week in the absence of Testifying before the House any sign that brisk growth was gen- demand from overseas customers thal funds. (Bloomberg, Reuters, AP) 125 127-

The Commerce Department said the acceleration in growth during the fourth quarter stemmed from renewed inventory-building, a falloff in imports and stronger exports, homebuilding spurred by low in-

terest rates. There were a few indications that businesses were growing cautious, including a 3.6 percent rate of cootractioo in fourth-quarter business investment, the first quarter in six expansion plans instead of expanding them.

Analysts noted that factory orders already were beginning to ease as in 1939 — even as bouseholds : 1997 closed, a portent of weaker shoveled billions of dollars into mu-

The ecocomy, after growing strongly in the fourth quarter, is poised to grow at half that pace and maybe a little less than that in the first half of 1998," said Richard Berner, an economist with Mellon Bank Corp. in Pittsburgh. Also Friday, the Commerce De-

partment said real final sales, which exclode the effects of inventory changes, rose 3.6 perceot in the fourth quarter, down from a 4.7 percent gain during the third quarter.

The Commerce Department also said the 1997 personal savings rate declined to 3.8 percent last year, the 33 223 lowest reading since the 3.7 percent

ban Firms Join For Friday, but stocks were lower as investors registered their fear that corporate profits would suffer from shower and Mr. Rubin said Asian napectations the economy will slow on companies as they scaled back plant the stocks were lower as and Mr. Rubin said Asian napectations the economy will slow on companies as they scaled back plant the stocks were lower as and Mr. Rubin said Asian napectations the economy will slow on companies as they scaled back plant the stocks were lower as the stocks were lower as and Mr. Rubin said Asian napectations the economy will slow on companies as they scaled back plant the stocks were lower as the stocks w

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EUROPE

financial crisis.

the start of the year.

debt auction.

Third Increase in 3 Months Aims to Shore Up an Embattled Ruble

November, to prop up a ruble meetings of the World Economic Yield Fund. "They need money,

"We still suffer from Asian fi-

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weakened by a hemorrhage of Forum in Davos, Switzerland.

charges when it lends to banks, to 42 markets," be added.

king Slows Hue Chips

Holiday Hires Reduce

French Jobless Ranks

PARIS - The French unem- jobs, urging the government not to

Workweek

Economists warned that the un-

back in coming months. The Labor Ministry itself said the in-

crease in temporary and part-time

jobs might not have been properly

sonal hiring and a statistical quirk in the data," said Sonja Gibbs of

Nomura Research Institute. "I

wouldn't be surprised to see some

January and February data before

trumpeting a major turnaround in

the jobs market," said David

Brickman of PaineWebber Inter-

the French economy was creating

jobs, many of the new positions

were to last less than a month. In

Young people were the main beneficiaries in December. The

jobless rate for men under 25 fell

by 5.6 percentage points, while

for women in the same category it

francs on the Brussels stock ex-

change. Kredietbank fell 125 francs

to 17,075 francs, as investors said

the aggressive acquisition plans

Almanij, a holding company.

Luxembourg and 60 percent of the

insurer Fidelitas. Cera Holdings and

Close Pres. Co. 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 10

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could hurt future earnings.

(Bloomberg, Reuters, AFP)

The figures showed that while

There was very strong sea-

seasonal variations.

ployment rate fell unexpectedly to derail the process by reducing the

temporary staff and part-timers employment rate could bounce

seekers fell by 86,800, or 2.8 per-reflected in its adjustments for

Lionel Jospin, the Socialist who ary."

"We would want to see the offered hope to Prime Minister of this decline retraced in Janu-

Mr. Jospin, who took office last December the number of offers

June vowing to make unemploy-ment his top priority, has said the fell to 139,124 from 150,777 the

reduction will create jobs. Busi- month before.

ers organization said that the dropped by 5.8 points.

Belgian Firms Join Forces

To Create Finance Company

The companies said Almanij's Almanij shares rose 4.2 percent Kredietbank NV and Boerenbond's Friday to a record 2,105 Belgian

with annual premium income of owns about 41 percent of Kreabout 64 billion francs (\$1.7 bil-dietbank, about half of Kredietbank

yet named, is ready to take over Bocrenbond will get stakes in Al-

other financial institutions in manij in return for their banking and

Europe and worldwide in a bid to insurance assets, with Cera becom-

become a global financial power, its ing the biggest single shareholder.

national.

a 22-month low in December as

retailers and other companies hired

worked longer hours during the

holiday season, according to gov-

The number of registered job-

cent, to just over 3 millioo, pulling the jobless rate down to 12.2 per-cent, against 12.4 percent in

The decline, the fourth straight

monthly drop in unemployment,

high-profile protests staged by militant activists for the unem-

ployed and whose popularity has

bate in Parliament this week oo

controversial legislation to reduce

the workweek to 35 hours from 39

ness leaders and the conservative

opposition say the bill will push

companies to seek cheaper labor

The head of the CNPF employ-

economy was gaining ground and

BRUSSELS - Almanij NV and

Boerenbond said Friday they would

merge their banking and insurance businesses to create Belginm's

Cera Bank will form Belgium's

largest bank, with capital of \$5.5

billion. The merger will also bring

together the companies' ABB and

Fidelitas insurance units, creating

Belgium's third-largest insurer,

about 64 billion francs (\$1.7 bil-

Friday, Jan. 30

Amsterdam

The new company, which is not

WORLD STOCK MARKETS

The government launched a de-

been falling in opinion polls.

November.

conment figures released Friday.

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Markets Closed The stock markets in Bom-bay, Hong Kong, Jakarta, Ku-ala Lumpur, Singapore and Taipei were closed Friday for

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and don't know how they will get "The increase in the level of interest rates, that is also a step taken On Wednesday the central bank countered the ruble rumors, reaf-The Bank of Russia said it would to protect the ruble and a step for the raise its Lombard rate, the rate it protection of Russia's financial firming its policy that the ruble could fluctuate 15 percent on either Foreign investors have pulled side of a central rate of 6.2 to the about \$2 billion out of Russia since U.S. dollar for the next three years, and would average 6.10 this year. Investors are concerned the na-In afternoon trading in New York tion has failed to come to grips with on Friday, the dollar rose slightly its fiscal problems and showed their against the ruble, to 6.0250 rubles its fiscal problems and showed their

concern Wednesday by forcing the from 6.0210 rubles at the close on Thursday. . . government to cancel a three-year Share prices, which have fallen An International Monetary Fund over 30 percent in the course of this year, surged higher in Friday trad-But First Deputy Prime Minister team is expected to decide whether to lend more money, and the Rusing. The key Russia Trading System index closed at 284.35, up 18.42 were aimed at protecting Russian sian Parliament has yet to pass this points from Thursday. Russia "is staring at a big black

(Reuters, Bloomberg)



Banks Try to Quell Asia Concerns

FRANKFURT -- Banks in Germany and Switzerland scrambled it made against loans to customers in Friday to diffuse concern over their Asia did not affect its earlier es- of all risk provisions of 800 million exposure in Asia, where falling curtimate that 1997 net income was DM made by the bank, rencies have threatened the ability more than 1.7 billion Swiss francs (Bloomberg, Re

Compiled by Our Staff From Dispatches

MOSCOW - Russia's central

money from the natioo's stock and

percent from 36 percent starting

Monday. The central bank also

raised its refinancing rate, the rate banks charge each other, to 42 per-

The central bank did not com-

ment on its reasons for the increases,

which come at a time of political

uncertainty that has added to market

Anatoli Chubais said the rate rises

reeling from the effects of Asia's

financial markets, which were still year's budget.

cent from 28 percent.

of borrowers to make repayments. The banks' statements come after Deutsche Bank AG, Germany's largest commercial bank, said Wednesday it would set aside 1.4 billion Deutsche marks (\$774 million) to cover possible losses in its lending

and derivatives business in Asia. Dresdner Bank AG said that it had only a "moderate" involvement in Asia and that it was not likely to take a large provision against poteotial losses there.

the cash to do it.

"We have been quite cautious in

"We are on the offensive with
regards to expansion abroad," said
Willy Breesch, who now heads Cera
Lipp, a Dresdner board member,
said at the World Ecocomic Forum biggest financial services company and will be the chairman of the new in Davos, Switzerland. "We don't as a prelude to embarking on international acquisitions.

"We have worldwide worry much about the impact of ambitions."

as a prelude to embarking on international acquisitions.

of strong earnings."
Commerzbank AG said it had no plans to pull out of its Asian business, but it would make provision

for possible loan losses there. Martin Kohlhaussen, chairman of the bank's management board, said it made sense to set aside reserves against potential Asian losses, but not to restructure Asian business. 'It's a question of prudence,"

Mr. Kohlhaussen said. Mr. Kohlhanssen would not say successor. how much Commerzbank needed to set aside for Asian losses and said 4.2 trillion lire (\$2.33 billion), indicating In Brazil, the company's second-most developing world. the earliest the bank would comment fourth-quarter pretax profit of 908 billion

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on the matter would be Monday. Swiss Bank Corp. said provisions nancial crisis in Asia.

(\$1.2 billion).
"We have made adequate provisions in the 1997 results" for potential Asian loan losses, said Christoph Meier, a spokesman for SBC, which is merging with Union Bank of Switzerland. Mr. Meier said that SBC had outstanding loans of 900 million Swiss francs to Asian borrowers and that the bank's 1997 profit expectations "aren't affected

by these provisions." The Bavarian state-owned bank provisions of 500 million DM in indicated.

1997 for risks arising from the fi-

The amount represents 62 percent (Bloomberg, Reuters, AFP)

■ A Loss at Commerzbank?

Commerzbank posted a fourthquarter operating loss after raising its provisions for possible bad loans by 62 percent, internal company documents show, Bloomberg News reported.

Germany's third-largest publicly traded bank had a fourth-quarter operating loss of 231 million DM, compared with a profit of 187 mil-Bayerische Landesbank said it made hon DM a year ago, the documents

Very briefly:

· German companies could use both U.S. and international. accounting standards under a financial reform bill before Parliament, Justice Minister Edzard Schmidt-Jortzig said. • Banque Nationale de Paris has bid for the Londoo op erations of Peregrine Investments Holdings Ltd., in addition to previous bids for the failed Asian company's Hong Kong and Chinese equity units. Terms were not reported. • Fidelity Investments said it was not discussing selling its British brokerage, which it is closing, to Barclays Stock-brokers, which wants to bny it. Fidelity did say it was in talks with unidentified companies on transferring accounts.

 SKF AB's fourth-quarter profit fell 8 percent, to 472 million kronor (\$58.6 millioo), from a year ago as increased taxes offset higher European sales by the maker of ball bearings.

• The European Commission plans an antitrust inquiry of Deutsche Telekom AG's provision of the cable network for Bertelsmann AG and Kirch Group's digital-TV venture. • Alitalia SpA's practice of undercutting rivals' prices violates terms of a government bailout approved by the European Union, the commission said, leading it to consider delaying

750 billion lire (\$420.2 millioo) in state subsidies. • British Airways PLC's European cut-price airline, to be launched in the spring, will be called Go. Reuters, Bloomberg

worry much about the impact of provisioning. Forus 1997 was a year Fiat Chief's Swan Song: Record Profits and Sales of strong carnings."

TURIN — The chairman of Fiat SpA, Cesare Romiti, announced record profits for the Italian automaker Friday as sales of the company's passenger vehicles reached an

Romiti also officially named Paolo Fresco, the Italian-born deputy chairman of General Electric Co. in the United States, as his

15 percent to 89.5 trillion lire, operating profit rose to 3.5 trillioo lire from 1.80 trillion, and profit rose to 4 percent of sales from

Mr. Romiti said Fiat Auto, its car division. sold a record 2.7 million cars worldwide, with 1.75 million of those sold in Western Europe, Fiat's European market share rose to 12 percent in 1997 from 11.2 percent, he

cent. In Poland, sales climbed 8.3 percent. Fiat Auto sales rose 19 percent to 50.55

He said Mr. Fresco has accepted the offer.

While handing over a company with a

Bloomberg News lire, which would be just shy of the 1.1 trillion lire estimated by analysts. Sales rose trillion lire.

all-time high. In his final letter to shareholders, Mr.

Fiat's 1997 pretax profit rose 10 perceot to said.

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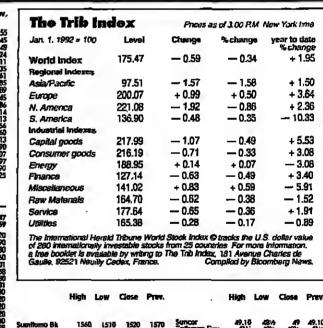
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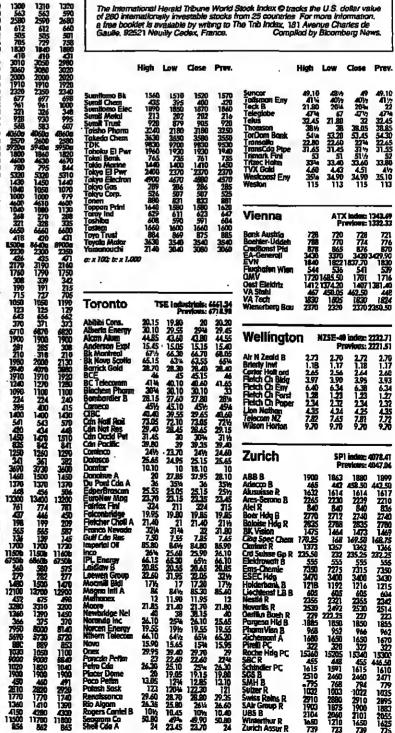
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Mr. Romiti, 75, who is stepping down in Jnne, proposed that the board approve the nomination of Mr. Fresco as his successor.

healthy year behind it, Mr. Romiti will also be leaving Mr. Fresco with much work to be done, particularly in reinforcing its plans to build its Palio series of cars throughout the profitable market, Fiar sales rose 13.6 per-

Fiat shares closed up 26 lire at 5,995.





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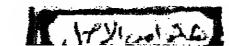
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ASIA/PACIFIC

Thai Shares Surge 11% as Baht Market Is Liberalized

BANGKOK -- Thai stocks soared Friday and the baht stabilized after the central bank said it had removed restrictive measures against currency speculation that had led to a two-tier baht exchange market.

"Financial institutions will henceforth be freely able to engage in spot foreign exchange transactions involving the Thai baht with nonresidents," the Bank of Thailand said. The domestic and offshore spot foreign

exchange market will thus be unified." added. "All restrictions pertaining to transfer of the Thai bahi from the sale by nonresidents of domestic securities will also be lifted." Chaiyawat Wibulswasdi, governor of the

central bank, said the removal of the unpopular two-tier system was meant to spark a return of confidence in Thailand, which has been hit by its worst economic crisis in decades. 'What we want is to create confidence

among those overseas and in investors that our situation has returned to normal, that we are confident that the situation inside the country will improve," he said.

"Therefore the door to the foreign currency trade is now wide open based nn our economic fundamentals," he said.

But the central bank also introduced a measure to safeguard the baht against potential instability and speculation in the Thai currency market. Nonresidents will be limited to 50 million baht (\$930,230) in outstanding credit from financial institutions in borrowing that involves no underlying trade or investment activities in Thailand, it said.

Mr. Chaiyawat said the restriction was sup-



James Wolfensohn, World Bank chief, greeting local staff Friday in Bangkok.

which has supervised the economy since аттаnging a \$17.2 billion bailout package for the cash-strapped country last August. "It is the only restriction remaining,"

Mr. Chaiyawat said. "Our system is quite liberal now. He said Indonesia, Singapore and Malay-

sia all had similar restrictions in place. The Bangkok stock market surged, with the benchmark index finishing up 44.99 points, or 10.73 percent, at 495.23, its highest level since October. Brokers said foreigners were responsible for most of the buying.

The dollar was unchanged at 53.75 baht, as the Thai currency stabilized on the news. Separately, the Bank of Thailand said Friday that the current-account and trade

balance surpluses both rose in November.

ported by the International Monetary Fund, rent-account surplus rose to \$997 million in November from \$700 million in October. while the trade surplus rose to \$844 millinn from \$621 million in the month before.

Analysts warned that the improved trade results belied depressing investment and production data, which continued to shrink in November in line with Thailand's braking economy. (Reuters, AFP)

Rapid Shift of IMF Terms Sought

Finance Minister Tarrin Nimmanahaeminda said Friday that Thailand hoped to have new terms for its International Monetary Fund bailnut package by Feb. 24, Reuters reported from Bangkok.

Bangkok has sought a review of the terms on the argument that the original agreement The central bank, in its regular report of was drawn up before economic crisis spread monthly indicators, said Thailand's cur- 'to much of the rest of the region.

Canon Sales Buys Right to Sell Compaq PCs

TOKYO - Canon Sales Co., Japan's biggest seller of Apple Computer Inc.'s personal computers, said Friday it had won exclusive rights to sell Compaq Computer Corp.'s PCs in Japan.

Compaq and Canon Sales are to start their business cooperation with Compaq's new Presario series of PCs, to be introduced in Japan this spring, the companies said.

Canon Sales hopes the arrangement will help it win 10 percent of the Japanese PC market in 1998, up from 7 percent in 1997. a company representative said in Tokyo.

way to do business in Japan," said the Compaq senior vice president. Michael Heil.

He said that Canon Sales had a strong sales infrastructure, powerful marketing ability and intimate knowledge of Japanese consumers.

The chairman of Canon Sales, Seiichi Takikawa, said that the main reason for the company to seek a de-up with Compaq was Compaq's strong competitiveness in pricing. He added that a declining share of sales of Apple products in its total sales also prompted

it to seek a new line of PCs. In the third quarter of 1997, Compaq

share, despite its strength in North America. In November, Canon Sales cut its pretax profit forecast for 1997 to 16 billion yen (\$127.3 million) from 26 billion yen.

Canon Sales shares rose 110 yen to 1,810 (Bloomberg, Reuters)

■ Toshiba May Spin Off Businesses

Toshiba Corp. said Friday it was considering spinning off some businesses to create independent companies as part of its efforts to decentralize operations, Reuters reported.

npany representative said in Tokyo.

Tanked only seventh in sales of corporate-use or two years," the Toshiba president, Taizo computers in Japan, with a 6.2 percent market Nishimuro, said.

Jobless Rate For December Slips in Japan

Compiled by Our Stuff From Disputches

TOKYO - Japan's unemployment rate fell in December for the first time in six months, as more housewives sought work, offsetting declines in jobs at contractors and manufacturers, according to government data released Friday.

The unemployment rate fell to 3.4 percent in December from a postwar high of 3.5 percent in October and November, the Management and Conrdination Agency said. For the year, the jobless rate averaged 3.4 percent.

Separately, the Labor Ministry said there were 68 jobs open to every 100 applicants in December, down from 69 in November. That

was in line with economists' forecasts. The sixth straight monthly decline in the jobs-to-applicant ratio, a key measure of market conditions three months ahead, shows that contractors, assemblers and retailers are pessimistic about their prospects for 1998.

"It's hard to imagine any major improve-ment" in the labor market, said Shinya lijima, director of the Labor Ministry's Labor Force Statistics Division.

The number of jobs at manufacturers, where one-fifth of all Japanese work, fell for the seventh straight month. Contractors employed 220,000 fewer people in December, the second straight monthly decline.

The total work force grew by 630,000 people in December, an increase of 0.9 percent from a year earlier.

A slump in sales of bornes, automobiles and other big-ticket items, following a rise last April in the national sales tax, has led companies to cut wages, then overtime hours and now workers.

The number of workers who were fired rose 10.5 percent in December — the third straight rise - pushing the number of unemployed up 4.8 percent, to 2.18 million workers.

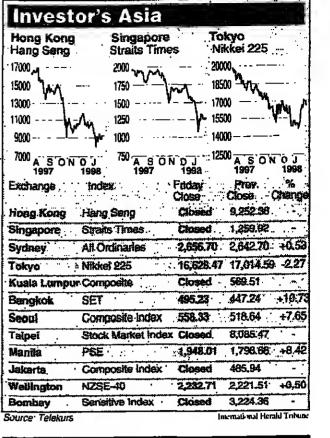
Overtime hours at Japanese manufacturers fell for the second straight month in December, while wages adjusted for inflation have declined five straight months, the Labor Ministry also said Friday.

Also on Friday, the Japan Automobile Manufacturers Association said automobile exports to the U.S. fell in December for the first time in 16 months, as Toyota Motor Corp. and other manufacturers increased North American output to defuse trade friction. (Bloomherg, AFP)

■ Yamaichi to Fire 23% of Workers

Yamaichi Securities Co. plans to dismiss 1.990 employees, or 23 percent of its work force, and close 19 domesoc branches on Saturday, The Associated Press reported quoting a Tokyo newspaper report.

The dismissals would be the first since brokerage announced that it would close, "You will see concrete results within one Nihon Keizai Shimbun reported in its S urday edition. The brokerage is expected close all of its branches by the end of Marc



Very briefly:

 Australia's new motor vehicle registrations rose 21.4 percent in the 12 months to Dec. 31, ending a year in which a record 722,000 motor vehicles were sold, amid lnw interest rates and a price war. The previous record was 695,000 vehicles, in 1985.

 All Nippon Airways Co. is negotiating a code-sharing agreement with Lufthansa AG of Germany and U.S. carriers. including United Airlines Inc.

· Hino Motors Ltd., Japan's largest maker of buses and heavy-duty trucks, said it would resume supplying engine parts to Asia Motors Co., a South Korean maker of trucks and buses. Asia Motors is part of the Kia Group, which is teetering on the edge of bankruptcy with \$10 billion in debts.

 North Ltd. of Australia suspended shipments of wood chips to South Korea because banks there, burdened by financial upheaval in Asia, are not providing letters of credit for its customers.

 MIM Holdings Ltd. returned to a profit of 35.4 million Australian dollars (\$23.9 million) in the first-half ended Dec. 31, as costs declined and sales revenue beld steady at 1.1 billion dollars. The Australian mining company posted a loss of 12 million dollars in the same period last year.

 AMP Asset Management of Australia is in talks to buy Henderson PLC, a British fund management company, for about £363 million (\$594.8 million) in a bid to reduce its reliance on domestic business, a person familiar with the situation said.

Tele Danmark AS plans to close its office in Hong Kong on March 15 because of the Asian economic crises to focus on the European market.

· Nippon Credit Bank Ltd. made an agreement with uld enable the 1 billion.

China Reaps Praise For Upholding Yuan

policies in response to the in the banks. Asian crisis and will probably sncceed in maintaining the

day.
They said the Chinese govemment was moving to re-form the banking system and Bloomberg News reported. was avoiding the devaluation that would allow it to compete with the weaker currencies interview at the World Ecoelsewhere in Asia.

year amid unstable banking is used to volatile prices. systems and growing corpocies of China and its special administrative region Hong

Kong government are fully committed to their exchange rates and that they will pre-vail, said Deryck Maughan, co-chairman of Salomon Smith Barney.

Economists at the confer-Economists at the conference say the stability of the Chinese currency is essential to establishing a recovery in the region. A strong yuan encourages demand for Southeast Asian goods, while a weak yuan would exacerbate the expected problem of low-cost Asian exports flooding international markets.

The undersigned amnounces that as from 5 February, 1998 at Kashrow international markets.

Rudi Dornbusch, an eco-nomics professor at Massa-"worst banking system in the World," although the governchasetts Institute of Technol-

ment is moving to reorganize DAVOS, Switzerland — the system and to increase China is pursuing the proper capital and reduce bad debts

■ Hang Lung Set to Spend

Hang Lung Development value of its currency, the yuan, speakers at the World Co. and its subsidiaries have Economic Forum said Fri- about 7 billion Hong Kong dollars (\$903 million) on hand and intend to invest fur-

nomic Forum that he is not Although some Asian cur- worried about the recent fall rencies — especially those of in property prices because South Korea, Thailand and property was too expensive Indonesia — plunged this last summer and Hong Kong

Property prices have fallen rate bankruptcy, the currenmonths as the economic crisis accelerated a price decline We believe the Chinese government and the Hong Kone covernment are 5.11.

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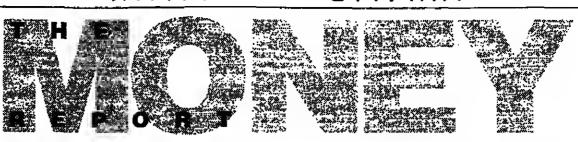
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Herald Tribune





In the Heart of Latin America, Prosperity on the Roads Less Taken

Colombia

Bogata

Exchange

Stock

Index

,300

Ecuador

By Aline Sullivan

Region's Smaller Economies Provide Investment Shelter From Waves of Global Turmoil

Lima Ganaral index

XPLORING PLACES off the beaten track in Latin America is no longer the preserve of fugit-ives and intrepid travelers. Today, the region's periphery offers havens for investors in what have become alamingly correlated global markets.

That the hig Latin stock markets have timbled like dominos following the Southeast Asian economic crisis is no secret. Brazil's Bovespa index has plunged aboot 30 perceot in dollar terms since the Thai economic crisis erupted

Some observers attribute this contagion to international funds cashing in their gains in Latin America and other emerging markets to prepare for redemptions in the Asia funds. Others blame it on a general nervousness among investors that has named emerging markets, oo matter how different, with the same brush.

Less known is the relative prosperity enjoyed by investors in Central America and the smaller South American countries. Since July, the Costa Rican index gained 24 percent in dollar terms, while the Panama General Stock Market Index shot up 27 percent. Several smaller markets rose substantially in local currency terms although not against the dollar.

"These small couotries have been ignored," said Jim Rogers, the New York-based financial guru and author of 'Investment Biker.'

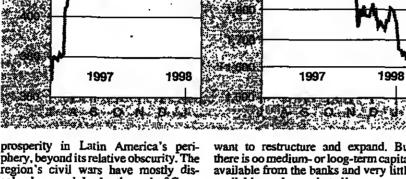
There have been no planeloads of MBAs coming down to Central America to look for undervalued stocks," he added. "So money won't come pouring out because it never came in. The only

risk is that it will do nothing."

That has not happened, at least to him. Mr. Rogers declined to comment on his specific holdings in the region, except to say that he was "very pleased" with shares that be purchased in Ecnadorian financial institutions in

He also owns stock in companies in Costa Rica, El Salvador and Peru, all of which he purchased through local brokers, with a view to keeping them

He recently sold his holdings in Argentina and Venezuela, however, because he believed that those markets had



Panama stock market,

General index

Panama

solved, sapped dry by the end of Communist financing. Debt crises have been adverted, although the International Mocetary Fund and other international institutions continue to pump money

Rising numbers of expatriate U.S. and European residents are boosting consumptioo, particularly in Central America. For example, the high international usage put Hondur-as Telecom's \$887 annual rev-

enue per line ahead of Brazil and Chile in 1996. Better still, the populations are among the world's youngest, so there is no looming burden on retirement Bernard Aronson, chairman at Acon

Investment and the assistant U.S. secretary of state for inter-American affairs from 1989 to 1993, agreed that in Latin America the road less taken was now the more attractive.

'There is great opportunity for private investors in these smaller countries because there is such a need for become exploited by foreign investors. capital," he said. "It is the best region.

There are solid arguments for for growth in the world and companies."

want to restructure and expand. But there is oo medium- or loog-term capital available from the banks and very little available on the markets.'

Peru

THAT IS GOOD NEWS for investors in Mr. Aronsoo's two funds: the \$300 million Newbridge & Partners Latin America fund and the \$160 million Newbridge & Partners Andean Fund, both of which require a commitment of about \$1 millioo and three to five years. Investors

without this kind of financial clout or Mr. Rogers' local contacts will find the going more difficult. Indeed, less than 10 percent of

the \$14 billion in assets managed by the 47 Latin American funds tracked by Micropal are invested outside of Argentina, Brazil, Chile and Mexico. Include the three next-largest ecocomies - Colombia, Venezuela and Peru - and that rate drops to less than 1.5 perceot.

"Many of these countries could be very attractive," said Veronica Berger Collins, a portfolio manager at Foreign & Colonial in London, whose views on the satellite markets appear to echo those of mutual-fund managers gener-

Venezuela Capital General index

e as bad

ally. "For example, Bolivia has a pool of energy, particularly gas, that could be the answer to Brazil's shortage. But we want to see more liberalization, deregulation and perhaps privatization before

mex. It already had better profits and higher operating margins, but now it has become moch cheaper." Other investment vehicles include three index funds managed by Richard

come much more attractive than Ce-

Hannam at NatWest Investment Management in London. The Colombia fund has \$2.3 millioo under management, the Veoezuela fund \$2.2 million and the Peru fund \$2 million.

About 9 percent of NatWest's IFC Latin American Index Fund is allocated

to these smaller markets.

Investors still put off by the limitations and illiquidity of small markets should consider how these Latin America countries interrelate, fuod managers

Investing in one market with a view to gaining exposure in others is becoming increasingly practical in the region. The Central America countries are pooling their resources in many areas, notably when they seek corporate financing from the global capital mar-

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Uotil then, Foreign & Colonial will

continue to concentrate on the bigger of

the satellite Latin markets. It manages

the only Colombia fund available to

meot Company, and a similar fund in

Peru, the Peruvian Investment Com-

pany. Of these markets, Ms. Berger

Collins views Peru as the most appeal-

ing.

"Its growth is very strong, its politics are stable, company valuations are at-

tractive and there is increasing invest-

ment from foreigners," she said. "But there isn't much left to buy: The market

ROSPECTIVE INVESTORS

oeed not wander too far off the

beaten path to find overlooked

stocks, however. Carlos Barchrach. manager of the \$100 million Pareto Lat-

in America Fund, which is sold pre-dominately to institutional investors,

said that cold feet among investors in

emerging markets has made relatively

obscure companies in even the best-

"There is a significant gap now in price between the liquid and illiquid stocks," he said. "For example, Ce-

mento Montezuma in Mexico has be-

known markets more attractive.

is drying up.

foreign investors, the Colombia Invest-

Another positive sign is the development of free-trade zones, such as MERCOSUR, which links Paraguay and Uruguay to Argeotina and Brazil, and ANDEAN, which includes Bolivia. Ecuador, Peru

THOSE WHO EMBRACE isolation and who are willing and ahle to participate in the regioo's most uncelebrated market should consider the Beta Gran Caribe Ltd. fund, a closed-end investment trust run by Havana Asset Management in Cuha. Simon Hodson, the fund's manager invests largely in the Cuban biotech sector through companies in companies in Canada and Britain and in Cuhan real estate ventures.

The fund, which is denominated in Swiss francs, has about \$30 million is assets and currently trades on the Duhlin Stock Exchange at a discount of about 25 percent to net-asset value.

For further information:

FOREIGN & COLONIAL Phone, 44 171 628 1234; Fax, 44 71 628 2281. - HAVANA ASSET MANAGER, Phone, 537 662055; Fox. 53 • NATWEST INVESTMENT MANAGEMENT. Phone, 44 171 623 1212, Pax, 44 171 782 2075.

PARETO LATIN AMERICAN FUND, Phone, 361 365 6880, Fac, 361 365 6882.

• ' Investment Baker On the Road with Irm Rogers," by Jim Rogers (Random House, 1994).

In Costa Rica, Election Carries Investors' Hopes for a Boon

By Aline Sullivan

ROSPECTIVE investors in Central America will be watching Sunday's elections in Costa Rica with interest. If, as is widely expected, the opposition Social Christian Unity leader Miguel Angel Rodriguez is elected president, there may sooo be more investment opportunities in Latin America's oldest de-

Mr. Rodriguez plans to privatize a number of state-owned companies while cutting government spending, the stuff of bull markets everywhere. First off the block should be Banco de Costa Rica, the country's second-largest

His pledges to expand commercial trade missions abroad, eliminate export taxes, open the private banking sector and reduce trade barriers by easing health and environmental requirements are also music to investors' ears.

"The outlook is very positive, par-ticularly if there is a clear majority,"

said Enrique Arias at BBV Latin Se-curities in Loodon. "There is a lot of potential funding in Costa Rica, but big foreign investors can't go in until there is a better infrastructure. No government has provided that yet, but some people in Miguel's team have some clear ideas."

suggested buying shares in either or both of Costa Rica's cemeot makers, Ceampa and Incsa. Costa Rica's neighbors also have

mncb to gain if the election result sparks interest among foreign investors, ana-

'Investors have to see Costa Rica as part of the Central American region.' said Juan Carlos Rodriguez at Latin Invest in London. "They should focus on companies that can give them exposure to the whole region and even to the Caribbean. Each of these markets is very small, but taken together they can provide excellent investment opportu-

The private Mesoamerica fund is already doing just that.

"We look for companies that we can help expand up to Mexico and down into the northern countries of South America," said Walter Kissling, one of the fund's general managers. "Central America is going through intensive changes as its economies open up. We buy controlling interests in companies In the interim, however, Mr. Arias that we feel we can make competitive. We plan to fix them, help them grow and then sell or list them in three to five

> The \$20 million closed-end fund, which is based in San Jose, Costa Rica, is backed by private investors in Central and North America. Mr. Kissling said the company planned to introduce a larger fund in two years.

The Central American Investment Fund is a similar closed-end fund ruo by Commonwealth Development Corp. It invests in medium-sized companies with strong export potential but has so far found more demand from its investors than opportunities in which to invest, a spokesman for the private fund

To date, investors in the \$2.2 million

Fundo Costa Rica, the only public fund to concentrate on Costa Rican equities, have been similarly frustrated by the lack of investment opportunities. That's not surprising: The San Jose Stock Ex-change is capitalized at only about \$500 millioo, of which half is accounted for by the brewery Florida Ice & Farm Co. That may be about to change.

"Beginning this year, we will see a oew attitude," said Carlos Mora de la Orden, who started the fund in May 1994 and now works as an investment adviser. "The elections will help, of course, but our markets are also starting to mature. Companies are opening up and we will sooo see more listings on the

stock exchange."
Foreign Minister Fernando Naranjo last week forecast economic growth at 4.0 percent to 5.0 percent in 1998, up from an estimated 3.5 to 4.0 percent in 1997. Inflation could come close to a single-digit level this year, compared with 11 percent in 1997, he said.

"We feel that the Costa Rican economy is not only stable but it is beginning to grow quite consistently," Mr. Naranjo

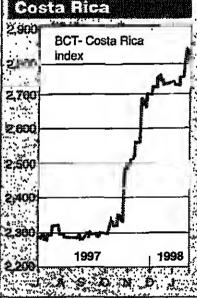
was reported as saying in London. But high internal debt at nearly 40 percent of the gross domestic product is still a worry, he added. "Any one of the two parties who win the elections in February am very sure will have to solve the

internal debt problem," he said.

Meanwhile, four U.S. technology companies have set up shop, attracted in part by a well-educated and peaceful population. The lack of an army has made Costa Rica's history quite different from those of its neighbors.

Intel Corp. has two chip factories due to come on-line this year. Joining it are Photocircuits Corp. of New York, a maker of circuit cards, which will spend \$30 million in the country; New Jerseybased EMC Technology, which plans to invest \$1 million to \$2 million this year to start building a plant to make electronic components for satellites, and DEK USA Inc., a subsidiary of Dover Corp., which plans a \$750,000 investment to make integrated circuit-card impressions.

For further information:



• THE CENTRAL AMERICAN INVESTMENT fund. Pho 506 220 2522

Beyond Region's Big 3, Brady Bond Risks Are Clearer Than Rewards

By Conrad de Aenlle

Despite Strength of Lesser Markets, Managers Unsure About Outlook

OST OF THE attention and money devoted to Latin American bonds is reserved for the three hig issuers: Argentina, Brazil and Mexico. Yet three smaller countries, all recent adherents to the Brady debt-restructuring plan, managed to rise above their relative obscurity to provide generally stronger returns over the last year than their larger counterparts. For this year, they offer a spectrum

of risks, but portfolio managers are wided about the outlook for their relříve rewards.

The Brady bonds of Ecuador, Peru and Panama each produced greater total returns — interest plus capital appreciation — than the 14 percent tehan of the index of Latin American Brady Bonds calculated by J.P. Mor-88n & Co. The gains were 21.9 percent for Peru, 20 percent for Ecuador and 15.3 percent for Panama.

The bonds are named after Nicholas Brady, the former U.S. Treasury secretary. He suggested a restructuring plan under which bank loans of countries that were unable to pay their debts were turned into dollar-denominated bonds. Lenders had to agree to less favorable terms than the original loans and the principal of the bonds was

secured by U.S. Treasury issues. Aside from the fact that their bond

markets are all dwarfed by the more widely followed Brady countries, the three minor Latin borrowers have little in common, said Keith Swabey, director in charge of emerging-market debt at the fund manager Robert Fleming & Co.

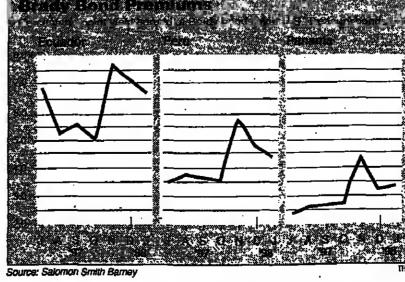
"The first thing people have to un-derstand about the smaller three is they are distinct in themselves," he said. Panama. he added, "has little or no external financing needs," while Peru and Ecuador have considerable capital requirements.

As for the economic and political liberalization that is the key to success in the developing world, "Ecuador has political risk that the other two don't have: It suffers from fiscal ill-discipline and lack of meaningful structural reform."

Ecuador's legislature removed its unpopular president last year and a border conflict with Peru in 1995 sapped its resources. Its debt-service payments amount to about 45 percent of its annual budget

Ecuador's Brady bonds carry B-ratings, a speculative grading that indicates credit agencies worry about the country's ability to make good on its debts.

Panama, by contrast, is a model of fiscal rectitude and is by far the most stable and creditworthy of the three small Brady countries, said Helene Williamson, director of fixed income at Foreign & Colonial Emerging Markets, a fund manager in London. Its currency



is the U.S. dollar and its central bank boats to pass through the canal. shadows American monetary policy. Its bonds are rated double-B, just one category below investment-grade, Peru is also a double-B credit, although slightly weaker than Panama.

One reason Panama's national accounts are so strong is that its economy is less dependent on commodity extraction or cyclic manufacturing industries than other Latin nations. One of its key industries is shipping services -- allowing

Its relative soundness means investors are willing to accept interest rates just 3 to 3.5 percentage points above those of U.S. Treasury bonds of similar maturities - the conventional way of measuring yields on emergingmarket debt. Brady bonds from Peru trade at premiums of 4 to 4.5 points, and those of Ecuador trade 6 to 7 percentage points above Treasuries.

"Panama is a little bit apart," Ms.

Williamson said. "It's a fairly defensive choice. It clearly is the strongest credit of the three.'

That is why its debt will underperform in a rising market and hold np better when prices fall. When the Asian economic and financial crisis raised doubts about the wisdom of holding debt issued by any developing country in October, the declines in Latin American Bradys followed the pattern exhibited for the whole year, only in reverse.

Panama feil the least, 11.8 percent, Ecuador was off 14.7 percent and Peru fell 16.8 percent. The Brady index, which had a smaller gain for the year than all three, also had a smaller loss in October, 10.7 percent.

Ms. Williamson noted that when emerging-debt.prices fall, small issuers will get hit harder than others.

"If you have a down market, liquidity isn't very good and the bid-ask spread widens out," she said. "It's not that there's a huge amount of trading in them, they just get marked down because you don't want to hold illiquid paper.'

A general sense of caution in the markets is compelling analysts to emphasize Panama among the three because of its strong balance of payments and the absence of currency risk. The one to shun, many say, is Ecuador.

"Panama is rather sbeltered from the turbulence," said Joyce Chang, who

covers emerging-market debt for Mer-rill Lynch & Co. She gives Panama an overweighted allocation in her portfolios, compared with the components of the Brady index. She has nentral weightings for Ecuador and Peru.

A neutral rating is too good for Ecuador, in Mr. Swabey's opinion. "Ecuador will require funding, it will have fiscal deficits all year," he said. "And with elections in May, people are more comfortable being underweight."

"People are still nervous about Asia," he added. "In a nervous, uncertain environment, people are more uncomfortable being in Ecuador" than the other two. He conceded, though, that "if the market is going to go up in a rush, people will prefer Ecuador."

The emerging-market-bond analysts at ING Barings are not bolding their breath. They give Ecuador an underweight rating and counsel investors to overweight the other two countries.

Ann Ginsburg of Morgan Stanley. Dean Witter, Discover & Co. has a different view. She is neutral on Peru and Panama and recommends overweighting Ecuador. She cites its hefty spread over Treasury bonds, which she considers good value. As for economic reform, she prefers to see the glass as half full.

"Despite government resistance to permanent fiscal reforms, the fiscal outlook has improved through onetime spending cuts and revenue-raising

Continued on Page 17

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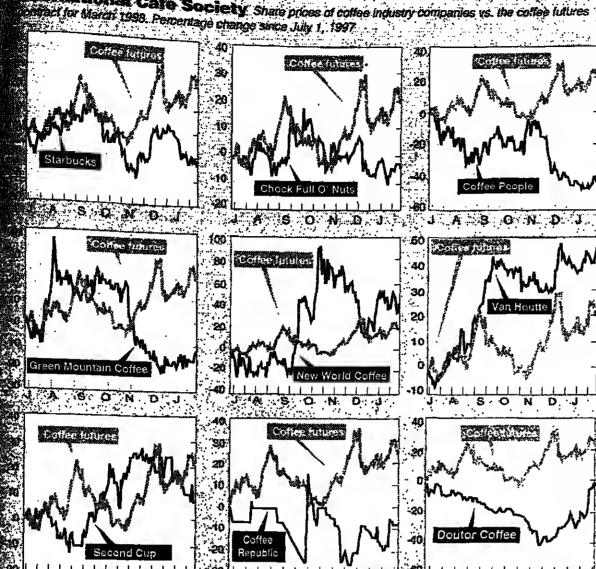
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THE MONEY REPORT

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Starbucks Satisfies Investors, Too

By Aline Sullivan

THE BEST PLAY on Latin America's coffee industry may in fact be found thousands of miles to the north, in Seattle, which is home to two types of people; those who recognized a good thing when Starbneks opened its first stores and those who will forever wisb that

But it may not be too late. Although no one is expecting anything like the sev-enfold rise in share values since Starbucks Corp.'s initial public offering in June 1992, analysts said that tovestors in the Seattle company can still expect plenty of growth, making the stock attractive even

Inc. in New York.

He dismissed most would-be rivals as 'basically bust,' including Chock Full o' Nuts Corp., Green Mountain Coffee Inc. and Second Cup Ltd.

"Only two small, privately held companies — Peets Coffee in San Francisco and Caribou in Minneapolis -- are offering anything like Starbncks' qual-

ity." Mr. Bibb said. Indeed, the only publicly quoted con-tender worth watching appears to be the relatively tiny New World Coffee & Bagels Inc., which last month earned the top rating in comparative coffee taste-tests conducted by The Coffee Review, the leading industry coffee-rating publication.

New World, which was founded in :1993, owns and operates stores in Connecticut. New Jersey, New York and Pennsylvania. It has franchise agreements in Florida and Maryland and at its first store

outside the United States, in Munich. Jean-Micbael Valette, an analyst at Hambrecht & Ouist in New York, described it as a "death by a thousand pinpricks" for most of Starbucks' com-

"Starbneks is clearly in a league of its own," he said. "It does everything a little bit better than any other company and the total impact is devastating.

He said he expected sbares to rise to 550 in a year, from its current level of 36.5625, and jokes that they should be \$1 million by the year 2000."

Starbucks is shrugging off rising cof-fee prices. The high winds and unseasonable weather generated by El Nino have slasbed coffee production, forcing prices up further this year after a

at a time of rising coffee prices.

'It's like McDonald's with no competition from Burger King,' said Craig
Bibb, consumer analyst at PaineWebber

150 percent jump in 1997.

Costa Rica has been experiencing a heat wave since the beginning of the year, while Colombia has too little rain and Brazil too much. Similar problems in the coffee-producing regions of Africa

· and Asia are playing havoc with supply. Adding to upward pressure on prices of the mild Arabica coffee was a strike by truckers in Colombia last week. That is a rosy outlook for investors in

coffee future contracts, at least for now. Stocks of washed Arabica, the grade deliverable against the New York futures contract, are expected to remain tight for the next few months before easing, commodity analysts said.

The price for coffee will rise for the next few months until it hits a high of about \$2.00 and then drops back to about \$1.50, depending on the size of the Brazilian crop," predicted Judith Gaines, a commodity analyst at Merrill Lynch & Co. in New York.

Late last week, March futures on the Coffee, Sugar & Cocoa exchange were trading at about \$1.75 a pound. That makes Starbucks a good bet for anyone with an investment horizon of more than three months, analysts said, particularly since the company has suffered very little from the rise in cof-

The costs are a consideration, but they are still not as high as they have been in years past," said Mr. Valene.

Also, Starbucks has been able to pass them off to its consumers who, perhaps surprisingly, have not balked,"

Starbucks is an international play. Domesocally, there is still plenty of room for growth, particularly in the Midwest and Southeast.

The company's only in 46 of the top 00 markets in the United States," Mr. Bibb said.

Starbucks now has 1,200 stores and, cidedly risky ones. at a rate of more than 300 new stores each year, expects to have 2,000 stores their potential for appreciation as they by the year 2000. About 100 of these become privatized, deregulated and efwill be outside the United States, mostly throughout the Pacific Rim.

Reflecting a welcoming Asian market for coffee retailers, the Japanese company Doutor Coffee Co. has been performing well. The company was recommended to readers of The Money Report by Shuhei Abe, president of Sparx Asset Management Co., in April. before the economic crisis that ravaged the major Asian financial markets.

Doutor suffered a decline after that, hitting its nadir late in November. Since then, however, it has been advancing, garnering positive ratings from some of the Japanese brokerage houses.

It now trades at 4,140 yen (\$33), about 10 percent above its price in April, while the Nikkei average remains about 5 percent below its level at the time.

Let the Experts Do Your Stock-Picking

UST LAST WEEK, Morgan Stanley, Dean Witter, Discover & Co. announced its 12 top stock Value (18.4 percent) and Vanguard picks for 1998. But, reading the introduction to the list, I became aware of a curious silence. Normally, the firm trumpets the performance of the previous year's stocks, which are packaged and sold as a unit trust. But those results went unmunered.

I ran the numbers on my Bloomberg computer and soon realized why. Of last year's 12 stocks, six were losers, with four declining more than 25 per-cent. Eleven of the 12 failed to beat the Standard & Poor's 500-stock index. In all, the portfolio returned 3.6

percent for the year ending Jan. 23, 1998, compared with 27.4 percent for the S&P and mend for year-long bolders in 1998." 5.6 percent for a riskless one-year

Treasury bill. Miserable. I point to this list not to embarrass the venerable investment firm but to remind my readers that picking stocks is not easy. In fact, in this environment, it gets harder all the time. In such a climate, it makes sense to turn to mu-tual funds. Let specialists choose the stocks in your portfolio. But be aware

that even the best can be outfoxed.

Last year, our "10 mutual funds to have and to hold" returned an average of 21.1 percent - or, more accurately, of 21.1 percent — or, more accurately, 22.7 percent after eliminating SoGen International, which is a mixed-asset fund that holds tots of bonds and cash. The stock funds easily whipped the Dow(up 17.8 percent for the 12 months ending Jan. 28) but trailed the S&P (up 27.4 percent for the 12-month period). This year, there will be only five funds on the list. Before we get to it, it is worth reviewing the 1997 funds.

is worth reviewing the 1997 funds. Here they are, with five-year annual average returns in parentheses:

American Century Equity Growth 20.1 percent), Clipper (19.4 percent), Dreyfus Appreciation (18.8 percent). Fidelity Contrafund (18.1 percent), Fidelity Low-Priced Stock (19.5 percent), T. Rowe Price European Stock (18.8 percent), Safeco Common Total Stock Market (18.1 percent).

The emphasis this year, as usual, is on my own hias-funds that seek value, or stocks that have been shunned by the market. Use the list, based on recommendations of folks I admire and trust, as only a first step in making your own choices.

Vanguard Windsor II (19.2 percent five-year average annual growth). Gerald Appel, editor of Systems & Forecasts newsletter, picks Windsor II as "the single mutual fund that I would recom-

mend for year-long bolders in 1998." The team that manages the Windsor follows a large-cap value strategy, with low turnover. Stocks must have capitalizations greater than \$1 billion, dividends that are higher than average. dividends that are higher than average, and price-to-earnings ratios that are lower than average. Top three holdings at last report were Chase Manhattan Corp., International Business Machines Corp. and Ford Motor Co.

Expenses are low, about 0.35 percent, compared with 1.1 percent for a typical growth-and-income fund. Mr. Acrel potes ther the high dividende and

Appel notes that the high dividends and low expenses make the fund an excellent defensive choice for wary investors who want to be in the market.

Sound Shore Equity (20.4 per-cent). This low-profile fund, based in Portland, Maine, is only one-20th the size of Windsor, but its performance is every bit as good. Sound Shore has beaten the S&P over the past one-, three- and five-year periods, and has

done it with below-average volatility. Gibbs Kane and Harry Burn, the managers, are bargain hunters who look for stocks whose sbort-term prospects are seen by the market as limited, Like their counterparts at Windsor, their strategy is to buy large-cap value shares and hold onto them. Holdings

include Banc One Corp., Toys R Us Inc., and Loew's Corp.

Enterprise Growth Portfolio (21.2 percent). Ron Canakaris, manager of Enterprise, looks for fastgrowing companies whose stock is (he hopes) temporarily depressed. Another theme: firms that can benefit from expansion in the global marketplace. Holdings include Intel Corp., Procter & Gamble Co. and Gillette Co. Few managers can match Mr. Canakaris's performance. Enterprise has returned more than 30 percent in each of the past three years, whipping the S&P by

more than four percentage points.

Third Avenue Value (17.4) percent). "I want our fund managers to concentrate on their best deas and forget about stocks

that don't meet their strict criteria,' Robert C. Carlson recently wrote in his Retirement Watch newslener. One such manager is Martin Whitman. Lately, he has taken positions in Japanese fire and marine insurance companies, including Chiyoda, Yasuda and Mitsui. Another large bolding is Telon Ranch Co., which owns land near Los Angeles.

Mutual Qualified Fund (18.7 percent). Of 1,700 stock funds tracked by the Value Line Mutual Fund Survey, only two receive a top rating for overall performance and for low risk. They are Mutual Discovery and Mutual Qualified, both from the family run by the contrarian Michael Price. We have chosen Qualified because of its 17-year history, compared with the moreagressive four-year track record of Discovery. At last report, the portfolio was headed by Chase Manhattan Corp., Investor AB and General Motors Corp.

Washington Post Service For further information, call VANGUARD WINDSOR, 1 610 669 1000, or, toll-free in the United States, 1 800 662 7447. SOUNO SHORE EQUITY, 1 203 629 1;450, or, toll-free m the Usured States, 1 800 551 1080.
 ENTERPRISE GROWTH, 1 404 796 8118, or, toll-free in the Usined States, 1 800 432 4320. THIRD AVENUE, 1 212 888 6685, or, toll-free in the United States,) \$00 443 1021. MUTUAL, QUALIFIED, 650 312 2000, or, toll-free in the United States, 1 500 342 5236.

Mr. Barnett noted that Luz del Sur

now has 850 customers per employee, compared with 600 before privatization,

calling it "one of the most efficient

now." The company bas no debt, and a

war chest of cash to compete for ac-

percent dividend, for investors who like the usual utility story," he said.

An added attraction of Luz del Sur is

that the sol, Peru's currency, has es-

caped much of the damage inflicted on

other South American currencies by

Asia's financial crisis, thanks to a flood

of foreign investment coming into the

Among less-traveled companies, Mr.

Michels has a buy recommen-

dation on Egenor SA, a hydro-

and thermal-electric generator in

sparsely populated northern

Peru that can sell its electricity

elsewhere. "It's just very inex-pensively valued," he said. The

shares are near their 52-week

low on the Lima exchange, trading at 79

Companhia Energeóca do Ceara, a

state-controlled distributor for the state

of Ceara in Brazil, which is set to be

privatized in April. The company is

known utilities can produce some spec-

tacular returns, they come with caveats.

While getting in early on these lesser-

Mr. Michels also is enthusiastic about

country's mining industry.

"It's a good low-risk buy, with a 6.5

quisitions in neighboring countries.

Utilities Get a Boost From Privatization

By Judith Rehak

F YOU THINK of electric utility stocks as predictable-but-dull investment fare, consider the South American brand, guaranteed to bring a little spice to a portfolio. Elec-tricity generators and distributors are at the forefront of the continent's economic renaissance, and they run the gamut from fairly conservative beis to de-

What makes their stocks alluring is ficient, freed from years of bloated employee rolls and mismanagement by government owners. At the same time, demand for electricity is surging throughout South America. In Brazil. for example, it is outstripping economic growth by one to two percentage points a year, growing even when the economy is flat, according to a recent report by

Banque Paribas. Such opportunities have attracted a crowd of foreign utilities seeking prof-SA. Chile's electric distribution company. The role of these companies, and a them into shape with modern management practices and then reap the profits

Because many utilities that are still government controlled have publicly traded shares, intrepid investors can get in on the transformations from the

cause share prices are at hargain levels, dragged down hy the beating that South America's stock markets have taken from the Asian financial crisis.

Companhia Paranaense de Energia-Copel, which generates and distributes electricity for Brazil's fast-growing Parana state.

His by downtum in the Brazilian stock market and devaluation fears for the real, Copel's class B preference shares are trading at about \$12 on the New York Stock Exchange, down from a high of \$19.50 last year. That puts them at a 60 percent discount to their book value, said Rowe Michels of Caspian Securities in New York City, who just raised his rating to a "buy."

there's plenty of unfulfilled demand."
Copel also looks attractive to Paul Parshley of Lehman Brothers.

"There's no foreign group in there now, but I don't think they'll have any trouble attracting one with their location and customer base," he added.

political prognostication, is Celesc -Centrais Életricas de Santa Catarina SA. favored by Charles Barnett, ING Bar-

Nobody's been focusing on it because

Not yet, at least. But Mr. Barnett is betting that state elections in October will sweep in a privatizationfriendly government. Besides

the distributor operates in the state of Santa Catarina, part of Brazil's booming industrial LATIN south, with possibilities of serving Argentina as well.

Meanwhile, Celesc shares are "ex-tremely cheap," said Mr. Barnett. One of his measures of value is what an investor pays for each megawatt/hour of electricity transmitted by a distributor. He estimated that Celesc investors were paying about \$50 per megawatt/hour, only a third of that its peers in other

Other analysts favor electrical utilities that are farther along in the privatization process. At Paribas, Carine Salvy noted that Companhia Eletrica do Estado do Rio de Janiero — Cerj bas already increased its efficiency under Chilectra SA, its major shareholder since November 1996. Cerj's employee roster has been slashed by half, and its electricity losses cut to 26 percent from 30 percent - no small feat in a country where enormous amounts of electricity never reach the customer because of theft and technical problems.

"It's worth mentioning, because a lot of companies have these losses, but new owners haven't always been able to cut them," Ms. Salvy said. She expects Cerj's full potential to emerge over the next two years, and predicted a 50 percent rise in its share price over the next 12 months. The stock currently trades at about 61 centavos, down from 89 in mid-October.

Although it is difficult to avoid Brazil, which has many opportunities because of its sheer size, analysts are not dismissing the rest of South America.

Topping several lists is Luz del Sur SA in Peru, which distributes electricity to the southern half of Lima. The company's foreign investors, Chilquinta SA of Chile and Ontario Hydro, have already accomplished much of their mission.

namely poor liquidity.

"A lot of people invested in some of the less-liquid ones over the first half of last year, and when the Asia crisis began

centimos.

known as Coelce.

to hit, even as early as July, they couldn't get out," one analyst warned. "It can be very scary." Where the shares are listed:

 COPEL. Compon shares trade in Brazil and over the counter in the United States as American depositary receipts. Depositary receipts, for the company's preference shares are listed on the New York Stock Exchange and in Germany. CELESC. Common shares trade in Brazil An ADR trades over the counter in the United States. CERI Common shares trade (a Braza).

CHLECTRA. Common shares trade on the Santiago Stock
 Exchange and ADRs trade over the counter in the Unite

· COELCE. Common shares trade in Brazil. • EGENOR. Ordinary shares trade on the Lime Stock Ex-LUZ DEL SUR. Common shares trade on the Lima Stock Exchange, and as depositary receipts in London.

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With Index Weightings, **Wrong Place, Wrong Time?**

Money set aside for emerging stock markets is typically apportioned among various countries based on their weightings in an index.

It seems the safe thing to do, but it can lead systematically to investing in the wrong place at the wrong time. This is alfuded to in a report by Morgan Stanley, Dean Witter, Discover & Co., which produces one of the most widely followed emerging-market indexes: At the end of 1996, portfolio managers slavishly following the Morgan Stanley Capital International Emerging Markets index would have put 16.6 percent of their assets into Malaysia, far more than any other country. Mexico, for instance, would have garnered less than half as much, at 8.1 percent

Little would the managers have realized that Malaysia's currency was about to collapse, along with the economy and stock market, reducing the value of investments in the country by two-thirds. The Mexican market, on the other hand, had a strong year, rising more than 50 percent.

At the end of last year, when it came time to rebalance portfolios, index managers - if they were still employed and still indexing - would have put only 6 percent of their assets in Malaysia and

more than double that in Mexico. Dropping Asia in favor of other emerging markets made last year an unusual one, the report points out.

One of the interesting strategic implications of the currency and debt crises in Asia and the excellent performance in Latin America and Europe and Middle East markets," the report says, "is a dramatic and substanoal shift in the regional and country weightings."

Asia started last year commanding a 50 percent weighting, compared with 30 percent for Latin America and 20 percent for the rest. This year, Asia begins with a 29 percent weighting, while Latin America's has risen to 42 percent.

Last year may prove to have been an aberration, but managers who blindly match their portfolios to capitalizaconweighted indexes by definition are putting more money into markets that have already had the higgest price run-ups than in those that have become cheap.

always have, going through the roof. then back to the floor."

oriented approach in which 26 countries small, and given equal weights. The portfolio is rebalanced monthly to keep the weights in line. The aim is to keep about 5 percent of assets in each of the 13 largest markets and 2.5 percent in each of the others.

Adviser Says Japan Key To World Market Safety

thinks its prospects are improving.

"They've been making some good moves," he said, citing three encouraging developments. After years of denial, he said, Japan is finally admitting it has financial problems; new accounting rules mean that financial misdeeds can no longer be hidden under the carpet, and there has been an end to bailouts of failing companies, signaled by the government's refusal to rescue Yamaichi Securities Co., a major financial group that recently went bankrupt.

looking at countries one hy one. He called Indonesia "a basket case at the moment," and observed that real estate prices in Hong Kong were "still as-tonishingly high." He said that State Street had been doing selective bottomfishing in some of South Korea's larger companies and in Thailand.

But for the West, Japan will remain the key Asian country, he said. "As long as it doesn't go into melidown, then economic growth in the West should continue to be posiove, albeit a half a percent lower than expected," Mr. Brown said. What if there were a major financial crisis in Japan? "Buy cash -U.S. government bonds." (IHT)

Expat Pros and Cons

Prudential Relocation, a division in Vahalla, New York, of the financialservices conglomerate that helps companies move executives and their families around the globe, recently completed a survey that looks at the pros and cons of expatriate life in the United States, with some revealing results.

While missing family and friends back bome, and sometimes coping with a different language, are issues for expats around the globe, other cultural encounters were uniquely American and negative — and were reflected in comments like "overwhelming number of fifearms and crime "and "major gun There is little outstanding debt in Peru, he problem compared to borne." The said, and President Alberto Fujimori has American medical system was a sbock acrively embraced reform, boosting the to many. "Complex and expensive." said one expat,

One of the most frequent complaints from spouses was their inability to obtain work visas in the United States.

Prudential suggested that the more unpleasant aspects of culture shock execuoves and their families to their seminars before they go abroad. (IHT)

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country's creditworthiness in the process.

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E-mail address: moneyrep@iht.com

Elsewhere in Asia, Mr. Brown is

"A capitalizacion-weighted index is encouraging you to chase markets," a manager at a London brokerage house said, adding that investors join the chase at their peril. Despite efforts to make emerging-market asset allocation more scientific, he said: "The markets are still liquidity driven. They're still behaving in the same damn-fool way they

The London manager developed what he asserts is a lower-risk, valueare assigned to one of two tiers, large or

Could this be the year that Japan puts its financial house in order and starts its long-predicted turnaround? Alan Brown, chief investment officer for State Street Global Advisors, the Boston money-management concern, said that while there is still risk in Japan, be

could be alleviated if companies sent

A dicier pick, because it involves

ings Ltd.'s Sao Paulo-based analyst.

"It's the Sleeping Beauty of the Brazilian power sector," he said. it's not on the list to be privatized."

being positioned for improved efficiency once it is privatized,

itable opportunities outside their own countries, among them Electricite de France, AES Corp., an American power producer, and closer to home. Chilectra key point for analysts and investors, is to take stakes in privatizing utilities, whip

for themselves and shareholders.

ground up. Utility fever is also running high be-

One of the top picks among analysts

He said he expected better earnings this year, and privatization in 1999 or 2000. "Also, they're adding a hydroelectric dam, which will increase capacity by 25 percent," be said, "and

Uncertain Brady Bonds

measures," she said.

Ms. Williamson is neutral on Ecuador and Panama and overweight on Peru.

BRADY BONDS can be purchased from dealers in relatively large determinations. For investors who do not wish to make auch commitments, Lipper Analytical Services has provided the following list of mutual funds that bold Latin American debt and

have had sood returns over the past three years

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 AMERICAS High Yield Fund, Phone, 242 394 6231; Fax, 242 JPBT Latm Yield Fund, Telephone, 809 J94 6233; fax, 806 394 5654.

 OMO Emerging Market Debt. Phone. 1 617 330 7500.
 MORGAN STANLBY Institutional Emerging Debt. Phone. 1 617 557 8116, or, toll-free in the United States, 1 800 548 7786.
 Minimum investment in \$500,000. T. ROWE PRICE Emerging Markets Bond Fund. Phone, 1 410 547 2308, or, soll-free in the Umicol States, 1 800 638

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SPORTS

Setback for Graf

TENNIS Steffi Graf said Friday she was withdrawing from next week's Toray Pan Pacific Open tournament in Tokyo and delaying her comeback because trooble with her surgically repaired left knee had

flared up again.
"Up until two days ago my preparations for the tournament were going according to plan," Graf said in a statement released through her management company. "I made good progress in my fitness and in

my game in the past mooth.
Unfortunately, on Wednesday, the day before my planned departure, problems occurred again on the left knee, which had been operated on.'

Graf said she was unable to specify another date for her comeback. The former No. 1 women's player in the world has not played in a tourpament since losing to Amanda Coetzer in the quarterfinals of the French Open last June. She had an operation on her left knee shortly after that defeat.

A Return for Maradona?

soccer Diego Maradona is pre-pared to return to Napoli as a coach, a club official, or "even as a player" to save the Serie A team from relegation, his agent said Friday.

The 37-year-old Maradona, who led Napoli to Italian league champiopships in 1987 and 1990, is training in Argentina and feels fit, said Guillermo Coppola.

"He's ready to come back and, above all, give a hand to the city," Coppola said.

Maradona is beloved by fans in Naples, who stood by him after he was handed a 15-mooth suspension in 1991 for testing positive for cocaine before an Italian league match. He was later banned during the 1994 World Cup for another positive drug test.

Sprewell Gives His Side

BASKETBALL Latrell Sprewell bad his say in the arbitration bearing that will determine whether the punishment be received for choking and threatening to kill his coach will be reduced.

For more than six bours Thursday, Sprewell answered questions from his attorney and his allies on the legal staff of the NBA players union, then underweot cross-examination by lawyers for the NBA and the Golden State Warriors.

The bearing was to resume Friday in Portland, Oregon, with Sprewell's agent, Am Tellem, scheduled to testify. An abbreviated session was to end with testimony from Warriors' general manager, Garry St. Jean.

The details of the testimony remained secret under a gag order issued by an arbitrator, John Feerick. The hearing then shifts to New York, with sessions scheduled for Tuesday, Wednesday and Thursday.

Orioles Sign Guillen

BASEBALL The Baltimore Orioles gave themselves middle-infield insurance by signing the veteran shortstop Ozzie Guillen to a minor league contract and inviting him to their major league spring training camp.

The deal would pay Guillen s salary of \$450,000 if he makes it to the big leagues this year, and contains \$250,000 in incentives. He had a \$4.5 million salary last year with the Chicago White Sox. (WP)

WORLD ROUNDUP Rios Crushes Escude To Reach Open Final

Chilean Meets Korda Sunday in Melbourne

By Julie Cart Los Angeles Times Service

MELBOURNE - If anyone had to end the improbable run of the engaging young Frenchman Nicolas Escude, it figured to be Marcelo Rios, the tennis tour's resident sourpuss.

The Australian Open men's semifinal Friday stopped short of producing the sort of odd but scintillating results so rampant here. Rios's fire singed the cool Escude and dumped him in only one bour 23 minutes, 6-1, 6-3, 6-2, sending the Chilean into the final Sonday against Petr Korda of the Czech Republic.

The sixth-seeded Korda defeated Karol Kocera late Thursday, 6-1, 6-4, 1-6, 6-2. Korda had minimal trouble eliminating the man who eliminated Pete Sampras.

Rios has landed in his first Grand Slam final, a position many bave expected of the ninth-seeded player. For Korda, it has been six years since he has been present in a Grand Slam final. Korda lost to Jim Courier in the finals of the 1992 French Open and has not been in the Top 10 since then.

The two left-handers offer differing playing styles and personalities: Korda is an all-court player who likes to do split jumps and cartwheels after victories. Rios is an attacking baseliner who walks briskly off court after victories. The two have met six times with each player winning three.

Rios obsted the most unexpected player at a tournament packed with them, Escude, the unseeded 21-year-old playing in his first Australian Open, began to gain notice when he defeated the French Open champion Gustavo

Kuerten in the second round. Escude came back from two sets to love three times here, something no player has ever done at a Grand Slam

"I feel like a living sleeping pill," he said in his fractured English. "Like I'm in a dream, so relaxed. And I want the dream to continue. It's amazing, un-believable. I don't know why this is happening.

Unfortunately for the world's No. 79, he played in Friday's semifinal as if he had been taking sleeping pills. Escude made 44 unforced errors and squandered the few break points he managed to manufacture. He converted on only two of six break opportunities; points be sorely needed.

Rios was efficient and workmanlike and surprised Escude by his willingness to approach the net in a hid to end points more quickly. Like many players here, Rios has been suffering from late-match muscle cramps. He defeated Alberto Berasategui in four sets in the quarterfinals and acknowledged after the match he would have been unable to play a

Escude, too, was fatigued. "Marcelo was playing very well," Escude said. "I was just tired. It was very difficult for me to warm up before the match today.

Rios is the tour's most fearsome young player, both for the quality of his play as well as his dour demeanor. The 22-year-old has grown op markedly since he turned pro in 1994. Then, he was indifferent to his peers, hostile to the media and abusive to fans.

The lowlight of this petulant period came at Indian Wells two years ago,



Marcelo Ríos of Chile in action Friday at his easy semi-final victory over Nicolas Escude of France in the Open.

when Rios used a racial epithet to a chair umpire and spit on a young fan who asked for his autograph.

Rios has been rehabilitated since then. He's still uneasy talking to reporters but is now willing to do so. He's far from outgoing, but it's hardly the point: Rios has boned his game into a damaging form of baseline punishment

Korda is enjoying what he calls a very nice ride," an understatement, considering his recent sethacks, which bave included surgery and declining in-

terest in the game.

Her partner was Hingis, who at 17
His fragile health has regained its now has three Grand Slam doubles titles

former rosiness, as has his outlook. "I am really enjoying tennis any time I'm stepping on the court," he said. "I think people can see that, how I'm hitting

the ball and bow I'm enjoying tennis." ■ Lucic and Hingis Win Doubles

Mirjana Lucic took a first step Friday toward following in the path of No. 1 Martina Hingis, winning her first Grand Slam title in a women's doubles match at age 15, The Associated Press reported from Melbourne. Her partner was Hingis, who at 17

and three singles, and is playing in her fifth straight Slam singles final on Saturday, against Conchita Martinez.

The teenage pair, good friends and practice partners who entered as wild cards, beat top-seeded Lindsay Dav-enport and Natasha Zvereva, 6-4, 2-6, 6-3. With a combined age of 32, the two were the youngest team ever to win a Grand Slam women's doubles title.

After suffering an early service break in the final set, Lucic contributed some heavy hitting to her team's comeback from 0-3 to take the final six games in a

Japan Counts on Home Advantage for Olympians

By Jere Longman New York Times Service

NAGANO, Japan - In elegant silence, Japan's speed skaters whispered over the ice Friday morning inside the Olympic oval, a magnificent building with a cascading roof called the M-

Wave. The arena was empty. Next week, wheo the 1998 Winter Games begin a 16-day run, the M-Wave will crest with noise and anticipatioo, and the Japanese skaters, tucked in their racing crouches, will bear the weight of their country's expectations.

Only once has Japan won an individual gold medal at the Winter Olympics, in the 1972 Sapporo Games when Yukio Kasaya led a sweep of the medals in ski jumping on the small hill. But expectations have never been so high as the final Winter Games of the 20th century approach, with Japan again playing bost 26 years after Sapporo. Victories might soothe local con-

cerns about escalating costs, congested traffic and environmental disruptions on the downhill ski run.

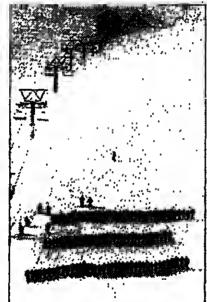
The direct cost of these Games has reached \$792 million, but with construction of new arenas, roads and a 90minnte hullet train from Tokyo, the overall price tag has generally been placed above \$10 billion. Bot, some people say, gold medals might prove equally beneficial in distracting the country from mounting economic difficulties and creating an acceptable forum for pationalism, which remains a difficult issue in Japan a half-century after World War II.

The Games will provide an opportunity for expressing patriotism in a country where the national flag is in-

frequently displayed and the singing of at a Tokyo investment bank who is and wave at Westerners. Still, the overthe national anthem in schools cootinnes to cause debate.

About 80 percent of the 1.29 millioo available tickets for Japanese spectators were reported sold by the second week in Janoary, an advance sale matched only by Norway for the 1994 Games. Crowds of 40,000 or more are expected for ski jumping, where the Japanese are strong medal cootenders. After World War II, we don't think

about expressing our loyalty to the oation," said Nami Suzuki, 29, secretary



Japanese troops packing the snow with their boots on a slope near the men's downhill ski competition.

serving as an Olympic volunteer. "When it comes to the Olympics, we remember our love for Japan. We can

feel Japanese." Makoto Kobayashi, the head of the Nagano Olympic Organizing Commit-tee, said be hoped that Japan would win nt least two gold medals. Even more optimistic is Chiharu Igaya, a silver medalist in the slalom at the 1956 Winter Olympics and now a member of the International Olympic Committee from Japan, Igaya, a graduate of Darmouth

more than Japan has woo cumulatively previous Winter Games The Olympic ideal of bringing the world together in peaceful competition is widely evident here in this jumbled city of 360,000 nestled between the snowy peaks of the Japanese Alps. Once isolated, Nagano will open its arms to 2,450 athletes from 72 countries from

College, predicted four gold medals, one

Feb. 7 through 22. "I don't have a chance to meet people from the outside world," said Shizuyo Yasuda, 21, who stocked vending machines on Friday at the M-Wave. "To meet others, to understand other cultures, is more important than gold medals."

Local schools have each adopted a country to study and root for. Stores on the main street are flying flags of the participating nations. Banners discreetly bear the names of corporate sponsors, avoiding the commercial tackiness of the Atlanta Games.

Some innkeepers in nearby ski resorts have said the Games bave scared away their winter business, leaving them with empty rooms and emptier pockets. But local ambivalence seems to have largely melted as residents eagerly say hello

all success of the Nagano Games will in many ways be linked to the success of Japan's athletes, "The Olympic movement is oot only bringing people to-gether," said Shunichiro Okano, an IOC member from Japan. "The results of the competition are important for the host country. The Japanese are expecting a lot of medals,'

The Japanese have strong teams in speed skating, ski jumping and Nordic combined, which consists of ski jumping and cross-country skiing. Japan won team gold medals in Nordic combined at the 1992 and 1994 Winter Games. To increase their medal count in

Nagano, the Japanese Olympic Committee has broadened a program that, roughly translated, means "Go Go Japan." in which athletes cominally work for corporate sponsors who pay their living and training expenses.

Japan's Olympic committee is also dangling a financial carrot before its athletes during the Nagano Games, as many countries have in recent Olympics.

Japanese athletes will receive 3 million yen (\$23,900) for a gold medal, 2 million yen for a silver medal and 1 million yen for a bronze medal. Under a similar program, the U.S. Olympic Committee will pay American medalists \$15,000, \$10,000 and \$7,500.

The Games also might provide the Japanese momentary shelter from the financial storm, said Igaya, the IOC member from Japan. Of course, this is sport and the pos-

sibility always exists that Japan will win no gold medals. But according to Tadahiro Goto, a spokesman for the Japanese Olympic Committee, would be a national disaster.

Golf-Cart Suit Puts PGA in The Rough

By Thomas Bonk Los Angeles Times Service

PEBBLE BEACH, California -As Casey Martin's suit against the PGA Tour to allow bim to use a golf cart moves closer to its trial date Monday, two members of the tour's policy board say they already know wbat's going to happen.

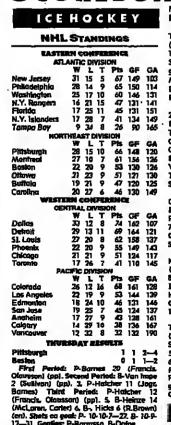
Davis Love 3d said Mark O'Meara agreed, even if he iso't all that happy about it. "Win, lose or draw — and I think we're going to lose the first round - if we lose and Casey rides a cart, it's

culatory ailment in which blood With Disabilities Act.

Nike Tour, which is a step below the PGA. Riding a cart, Martin won the first but missed the cut at the second. "Look at the publicity," O'Meara said. "He got more publicity for that win than somebody who's won 12 times on the regular tour."

ical fimess are part of the game."

SCOREBOARD



First Period: O-McEachern 14 (sh). Second Period: New York. Lungdon 1 (LaFontaine) 3. New York. Graves 16 (Gratisky) Third Period: O-McEachern 15

Philipsepping 5 U 2-4
First Period: M-Manson 4 (Recchl,
Tharnton) Second Period: M-Recchl 25
(Poutin, Manson) Third Period: M-Savage
17 (Damphousse) 4, P-LeClair 25 (Nibrimao,
Svoboda) 5, P-Graifon 13 (Forbes) Shafs on
goal: M-12-47-21, P-12-4-18-34, Goalles:
M-Maog. P-Hextail.
Dalles:

1 D 1-2 M-Maog. P-Hextull.

Dalites

1 0 1—2

Florida

First Period: F-Kazlov 7 (Whitney, Norton)

2 D-Lind 1 (Madoma, Lehtines) Second

Period: F-Gogner 15 (Svehk, Kazlov) (pp).

Taird Period: F-Ciccurell 13 (Svehla,
Cagner) (pp). S, D-Madoma 18 (Errey,
Chambers) (kh). Shots on gods D- 12-3
8—23. F- 8-11-8—27. Geolles: D-Tureit, F
Vanblesbrouch

2 8 8—9

0 0 0-0 0 1 1-2 St. Louis

First Period: None. Second Period: S.L.

Courtnoll 22 (Macinnis, Demitro) (pp). Third

Period: S.L.-Atcheynam 11 (Turcotte,
Pellettn) Shots on godt T. 7.5-11—22. S.L.-B.

7.10—25. Godfes: T-Polvin, S.L.-Futtr.

Chicogo 1 1 1—3

Son Jose 6 0 0—0

First Period: C-Fleury 17 (Domenichest, Titov) Second Period: L.A.-Ferraro 5 (Robitotile, Bioke) 3, L.A.-Murray 15 (Bioke, 17(04) Second Perfect L.A.-Ferraro 5
(Robitolite, Bloke) 3, L.A.-Murray 15 (Bloke,
Stumpel) 4, Los Angeles, Galley 6 (Bloke,
Stumpel) (pp). 8, L.A.-, Laf-ayette 2 (Bloke)
4, C.-Nylander 11 (McInnis, Parinci) Third
Perfect: L.A.-C.Johnson 12 (Robitolite,
Perraro) (ppl. 8, C.Andersson 2, Shets on
goot: C. 9-10-12-31, L.A.- 5-11-7-22.
Godfies: C-Tabarracci, L.A.-Stor.

BASKETBALL

MAJOR COLLEGE SCORES Duke 86. Maryland 59 Utoh 62. Texas-El Paso 56 Utoh 62 Texas-et i rusu so Artona 93. Stanford 75 UCLA 82. Washington 51. 68 Purdue 99. Michigan 82 New Mexico 72, Brigham Young 54 Cincinnati 67. Louisville 61

Seattle L.A. Lakers Phoenix Portland 10 .774 11 .738 14 .659 19 .558 26 .409 35 .222 34 .190 Milworine 32 17 28 22 15—115
New York 29 22 29 19 12—112
Al: Robimson 15-26 8-10 39, Brandon 7-15-6-6-22 N.Yr. Starks 10-10 3-5 32, Houston 8-19
12-1228. Reseauds—Milworine 48 (Hell 13),
New York 54 (Dudley 11).
Assists—Milworine 22 (Brandon 10), New
York 54 (Distart 6). 25 (Othery 5). odelphia 30 26 16 22 5— 99 ntu 22 19 24 23 15—199 Coleman 9-16 2-2 24. Thomas 6-10 4-4 : Smith 11-17 8-8 33. Henderson 8-15 3-7

rong 6), Houston 19 (Rhodes 5). 9 26 23 25 10—84 18 31 14 17—86 NBA STANDINGS afre 5-12 11-12 22. Comby 6-12 4 (Fortson 10). Assists—Toronto (Stoudarnire 5), Deriver 15 (Goldwire 5). 20 31 25 23—18
20 31 26 23—18
35 18 10 16—57
C: Jordon 11-24 7-7 29, Pippen 7-17 2-3 18;
P: Rider 11-22 7-7 29, Wolforce 12-18 3-6 28,
Rebennis-Chicago 51 (Redman 20),
Portland 44 (Rider 9), Assists—Chicago 26 (Pippen, Longley 8), Portland 24 (Anderson 10),
Geldes State 23 19 25
Seattle
G-5-7 Gelden State 23 19 26 29—97 Seattle 27 29 24 29—109 G.S.: Marshall B-17 6-0 18, Dampler 4-7 5-5 18, Coles 5-10 2-2 13: S: Payfon 11-23 5-5 30, ker 7-15 5-8 19. Rebox 46 (Marshall, Smith, Foyle 7), Seattle 5 Milmesery
Venceuver 27 23 31 25—166
M: Marbury 12-22 5-9 31, Mitchell 8-15-5-7
21: V: Abdur-Rahim 10-24-6-827, Thorpes-13
2-4 20. Rebeends—Minnesufu 61 (Cornett

Rebounds—Philiodelphia 44 (Coleman Atlanta 54 (Watambo 14). sts—Philiodelphia 22 (Jackson 6),

Asslats—Princisepnio 22 (Jockson 6), Attento 27 (Blaylock 13). Oriende 22 27 18 17— 95 Heesten 25 25 16 22— 88 O: Armstrang 7-10 2-217, Anderson 6-17 2-4 15; H: Bullard 5-14 0-0 20, Drezer 5-13 2-6 14. Rebebads—Oriende 67 (Grant 15), Houston 46 (Willis 11). Assists—Oriendo 22

WORLD CUP THURSDAY NIGHT IN ARE SWEDEN 1. Kristing Kornick, U.S., 1 min. 29,46 sec. (1st run 45.08 sec./2nd run 44.38); 2. Hilds (137 run 45.08 sec/2md run 44.39); 2, Hode Genp, Ger. 1:29.77 (4481/44.96); 3, Srbine Eggen Austria, 1:30.36 (45.46/44.90); 4, Yiyo Nowen, Swey. 1:30.38 (45.76/45.01); 5, Usar Hirowto, Styrenia, 1:30.78 (45.60/45.18); 6, Martino, Eril, Ger., 1:30.78 (45.60/45.18), 7, Martino Eril. 697, 19378 (45,6945,18), 7, Perrillo Wiberg, Swe. 1:30.80 (45,5545,25); 8. Elkabetin Bloveschi. 11, 1:30,94 (45,9445,00); 9. Trine Brikke, Nepury, 1:31,37 (46,17/45,20); 10. Debroh Com-pagnoni. II., 1:31,38 (45,84/45,54).

CRICKET

SLALOM (7 evental: 1. Nower, 539 points; 2. Kaznick, 450; 3. Gerg, 339; 4. Compagnent, 304; 5. Hrovet, 273; 6. Zelf Steggetl, Australia 244; 7. Egger, 228; 6. Beakle, 201; 9. Speke Prehrer, Slovenia, 163; 10. Ketta Selkinger, Ger. 175.

OVERALL 127 evental: 1. Sotringer,

OVERALL (27 events): 1. Solvinger, 1.437 points: 2. Erit, 1.136: 3. Gerg, 1.104: 4. Companioni, 827: 5. Alexandro Meisenitzer, Justic, 768: 6. Naven, 736: 7. Rende Goetschi, Avstria, 671: 8. Isolde Kostner, II. 657; 9. Haidi Zurbriggert Swift, 487; 10.

Jamaka 0, Sweden 0 TENNIS

AUSTRALIAN OPEN FRIDAY SH MELECURNS SEMETHAL, rceig Rios (9), Othe Gel. Nicolos Escade France 6 1, 62 6-2.

Vancouver 47 (Thorpe 13).

--Minnesota 26 (Marbury 9),
ver 29 (Edwards 7). Martina Hingls, Switz, and Mirjand Lucic. Crookle, det. Lindsay Davenport, U.S., and Notesha Zvereva (1), Belarus, 6-4, 2-6, 6-3.

Justin Gimetriot, U.S., and Venus Williams, U.S., del. Patrick Gelbraith and Lisa Raymond (J), U.S., 7-6 (7-2), 3-6, 6-2. ADITRALIA YS. SOUTH APPICA ORD AND FINAL TEST, 1ST DAY Cyril Suk, and Helens Sukova (5), Czoch Republic, def. Mahesh Bhupathi, India, and Caroline Vis (4), Neth. 6-2, 3-6, 7-6 (7-3). SKIING

TRANSITIONS

BASTRALL . CLEVELAND—Agreed to terms with OF Geronium Berrot on Lyear confract, NATIONAL LEAGUE ATLANTA - Re-signed RHP Kerry Light berg, RHP Mican Bowle and IF Wes Helm SAN BIEGG Agreed to terms with OF Ruben Rivers. OF Mike Darr, OF Gary Matthews Jr., SS Juan Meio, SS Cesarin Car

SAN FRANCISCO—Signed RNP John John-stone and LMP Troy Brokewn to 1-year contracts. According DF Joint Leach and DF Scott NATIONAL BASKETBALL ASSOCIATION CHARLOTTE-Activated G Bobby Philis

CLEVELAND-Waived F Tony Dupics.
ORLANDO-Activated G Penny Handaway ORLAHDO—Activated G Penny Handaway rom Injured list. SEATTLE—Activated G James Cotton from injured list and put F Jerome Kersey on It. POOTBALL
NATIONAL FOOTBALL LEAGUE
FALO—Normed Joe Pendry offe SOCCER

ive wordingtor. NATIONAL HOCKEY LEAGUE

EUFFALO-Receiled D Ru ochester of AHL CAROLINA - Recoiled RW Kevin Bro O Noish Profit from New Haven, AHL, FLORIDA—Recoiled G Todd MacDonald from New Haven, AHL, LOS ANGELES—Recalled G Frederic Chabot from Houston, IHL.

OTTAWA-Louned LW-D Dennis Vial to Chicago, IHL.
PITTSBURGH.—Assigned G Jean-Sabastien Aubin to Dayton, ECHL.
VANCOUVER—Recoded G Tim Keyes from

1-game. COAST GUARD—Named Interim head foot-ball coach Bob Estock head lootball coach. FLORIDA STATE—Announced G Geoff traver has left the basketball team.

THE WEEK AHEAD SATURDAY, JAN. 31

ATHLETICS, Tourcoing, France — World Cross Country Challenger Las Vegas — Las BiaTirs.ott, Mirsk, Belarus — Europear hamplonships, to Feb. 1. BOSSLEDODICO, St. Markz, Switzerland
-World Championships, to Jan 31 - World Chomplenships, to Jen. 31.
CRICKET, Adelaide, Australia - Australia vs. Savih Africa. 3d Test. to Feb. 3; Colombo, Srf Lanka - Srf Lanka vs. Zim-

ren. ...

cycl.ma, Monterrey-Mexico City — Lo
Rufa Ciclista Mexica 98. to Feb. 1.

col.F. Perith, Australia — men. European
Tour, Helmeton Classic to Feb. 1; Petible
Beach, Collitornia — men. Pebble Beach National Pro-Am. to Feb. 1; Key Bisco da — seniors, Royal Caribbean (LUCE, Routovoara, Finland — Warld

LUGE, Rayfovgara, Finland — Wand Championship (natural track, non-Olympic discipline), to Feb. 1. OLYMPICS, Nogano, Japan — meeting of IOC Executive Board, to Feb. 1. RUGBY UNION, Bordeaux, France — European Cup find, Bath vs. Brive. SALLING, Auckland, New Zealand — start

SAILING, Auddand, New Zealand — start of leg 5 Whitbread roce.

SKING, Gramisch-Partenkirchen, Germany — men, Alpine World Cup, downhilt:
Ara, Swedon — women, Alpine World Cup, downhilt:
Breckendige. Colorado — Freshyle World Cup, to Feb. 1.

SOCCEM, Bangkok, Thalland — YJng's, Cup, Egypt vs. South Korea, Thailand vs. Denmark: Hang Kong — Cartsberg Cup, Hong Kong league all-skrs vs. Nigerla, Chille vs. 1921.

SUNDAY, FEB. 1 ATHLETICS, Yokohama, Japan — Yokohama International Women's Relay Marathore Sturigant Germany — Indoor FOOTBALL, Hancolu - NFL Pro Bowl

SKRNQ, Gormisch-Parienkirchen, Ger-many — men, Alpine World Cup, super-G. SOCCER, Ookland, Colifornia (Los An-geles, Migmi) — CONCACAF, Gold Cup, to Feb. 14. MONDAY, FEB. 2 TEMBITS, Zagreb, Croatia — men, Croatian indoors to Feb. 8: Marseille. France — men, Marseille Open, to Feb. 8: Takyo — women, Taray Pan Pacific Open, to Feb. 8.

TUESDAY, FEB. 3 ATHLETICS, Modrid Spain — IAAF, in-GOOG Jose Maria Cagival Memo OLYMPICS, I sign, to Feb. 5.

WEDNESDAY, FEB 4 BASERALL, Puerto La Cruz, Venezuela on Series, to Feb. 10.

"I think we're going to lose,"

going to set the game back." Martin, 25, is the former Stanford All-American who has a cir-

pools in his lower right leg, making his tibia brittle and causing extreme pain when be walks. He has sued the PGA Tour under the Americans Martin was allowed to use carts in this year's first two events on the

2.7

INSTHE MENTOR

A STATE OF THE PARTY AND ADDRESS OF THE PARTY

, by Sugar

'I don't want to keep a young player with a disability from playing his dream," he added. "What I am saying is that walking and phys-

THURSDAY, FEB 5 AUTO RACING, Sweden - mo-filer World Cup. FIA. Swedish Rolly, to Feb. 8. GOLF, Durbon South Alden—men.50 frican Open. la Feb. & La Jolia, Colliente men, U.S. Buick Invitational to Feb. & Sys ney, Australia — man, Greg Mormon Infe

national, to Feb. 8. SKI JUNEPING, Sappora Japan — World Cup. 120K hill

FRIDAY, FEE 6 ATHLETICS, Bedopest Hangury - in-Ohymphan, Nogono, Japan — meeting with Winter Sports Federations, GOLK, Noples, Platfor — periors, LG hamptenship, to Feb. 8.

SATURDAY, FES. 7 ATHLETROS, Reno, Nevado — Bis Coshy Mintionat: Los Angeles — Los Angeles In-terionat: Columbia, South Carolina — Car-lina Magazina Mindonate Columbia, South Mindonate Columbia, South Mindonathon, Magana, Japan — 18th Windons, Nogena, Japan — 18th Windons, South Mindonate Mindo ler Germes, to Feb. 22.

RUGARY UNKNOW, Paris — Five Nations,
France vs. England Ireland vs. Scotland.

SOCCER, Intendity Intendication: Australia vs. Criter South Komo vs. Jopan Ocagadougou, Burking Fesa — African Cup of Nations, so Feb. 28.

SUNDAY, FEB 8 ATHLETICS, Mescal, Russia — Indoor, loscow Winter Ghint, Bergion — Flooders Indoor Tokyo Tokyo Pangari - Hassa Indoor Tokyo Tokyo Garasilah Marathan: Vilandara, Pangad - Work Cross Country Cachenga.



ntes Escuele of France in the Open,

and three states and the one man fifth straight States at States a State bridge, 2022. Marinez The man was a series of the se ender the first in the course Latter Day CONTRACTOR OF THE PARTY OF THE A Miles and a second a second and a second and a second and a second and a second a Service State of the service of the and the second second Bergrap for the control of the contr

Golf-Cart Suit Puts PGA in The Rough

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Grand-Duchy of Luxembourg



From Treviso to Denver: A Coach's Culture Shock

International Hetald Tribune VERYWHERE he looks he sees disappointment frustration people in the primes of their lives asking. "Why me?"

You would think Mike D'Antoni was a white-coated doctor in a trauma ward. In fact, he is an assistant coach with the Denver Nuggets of the National Basketball Association.

Last spring, D'Antoni, who is a slim 46, was living with his wife and their young son in Italy. D'Antoni was head coach of the basketball club owned by the Benetton family in the glorious town of Treviso, near Venice. This is the club that was paying Toni Kukoc millions of dollars before he jumped to the Chicago Bulls in 1993.

D'Antoni was a legend in Italy. An Italian-American, he played parts of three years in the NBA and the old American Basketball Association before impulsively accepting an offer to move to Milan, where he became the point guard for one of the great clubs in the history of European basketball. Playing alongside Bob McAdoo and the center Dino Meneghin, the greatest Italian player ever, D'Antoni led Milan to two European Championships in the late 1980s.

Later, as head coach for Milan and then Treviso, he won 68 percent of his games, including an Italian championship and a couple of top European tour-

66 Kind of alcohol

74 Initiated, legally

76 Europe/Asla

78 Ambient music

pioneer 79 Mount Vernon.

e.g. 81 Wristbone

82 Abbr. on a

85 "At 5 P.M. the

87 Knot-tving place

88 Actress Ward

90 "And at 7.P.M.

60's film

92 Snail trail

95 Slick, so to

speak

99 Wage news

103 Goes limp

105 "... unless -

110 Grouper grabbers

50 Handle a joystick 112 Dario Fo force

104 Call to action

114 Cobbler's need

115 Places for coats

Intelligence

Jersey

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there'll be a showing of the

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9 Brick baker

10 Dr. Scholl products

11 tlove: Fr.

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Ganges 14 Basic: Abbr.

powered taxi

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26 Slangy tag-team member

31 Sorry individual

32 Barcelona buck

33 Colorful spiral

37 Mary of Peter.

38 My, to Mimi

39 Lead pumper

43 Collins juice

44 Quite a while

46 Underground

47 Fire escape rou

52 Glove fabric

56 Wound with

57 He's a we

59 Talus area

68 1984 Peace Nobelist

70 Familiars, often

71 Writer Singer

69 "Dies -

58 Flatten

73 Drives forward

75 Prepare to land

80 Subj. of 60's

81 He helped topple Batis

83 Dentists' kids.

86 Prodigious

88 Like some

90 Dam agcy

91 Hockey's Lindros

92 Hollywood dive?

67 Shift

95 Caterpillar hairs

97 Case workers:

102 School orgs

103 Big letters in

one: Abbr. 108 Christina's dad

109 Prelude to a hickey

106 Race car

107

95 Via

113 Infamous Roman 53 Film changes

45 Bearish

42 [see other side]

Paul and Mary

15 Human-

18 Access

24 Ticket

29 TV dog

67 "... on the subject of -

ACROSS

I Rum-soaked

5 Tall, slender

11 Practical joke

18 12th-century poet

15 Bleached

20 Neckwear

21 Uzbek sea

23 "AL 9 A.M.

28 "At 11 A.M. -will speak"

30 Comics sound

31 Unusually smart

34 First name in TV

35 Like R. L. Stine

will sing ...

39 GovL property

40 River near

Perez

Chantilly

41 O'Donnell and

42 "... a rune from

48 Modern office

51 in post-career mode: Abbr.

53 Axis Powers.

coce 54 Jamaican sect

56 "At 3 P.M.

61 First name

62 The tess-used

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among soprano

64 Key ot Mendelssobn's Symphony No. 3

52 Dance invitation

36 "At 1 P.M.

22 Fashion house

---Picone

breakfast will be

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supplied by-

In America / IAN THOMSEN

naments. But he had been away from home for 20 years, and he woodered, as basketball people do, could he make it in the NBA? So last spring he accepted an offer to join the Nuggets' front office.

The Nuggets, it is becoming apparent, are not very good this season. Of their first 43 games they have won three. They are behaving like the Titanic but without any of the preseason hype. It was understood that the Nuggets were going to be awful, but no one imagined they would be on a course to finish with

just six victories this season. Not only would that break the NBA mark set in 1973 by the Philadelphia 76ers, who were 9-73, but it would leave a very small margin for any team in the future to erase the woeful Nuggets from the record books. It's going to be difficult for any club to win fewer than six NBA games. Someone is likely to break Joe DiMaggio's hitting streak before we see another team able to prove that it's worse than the Denver Nuggets.

'Our goal at the beginning was to have an unbelievable season and maybe sneak into the playoffs," D'Antoni said. Then we lost the first 12 games or whatever, we were 1-15 or something. and then it was, hey, guys, we've got to turn this around and get started. Then we lost something like 22 or 23 in a row.

AT THE STAMP CELEBRATION By Merl Reagle

About a month ago we started saying, our big goal now is not to have the worst record in the NBA.

In Italy, D'Antoni was known for taking losses as painfully personal attacks. Distant friends have been worrying about how he could possibly be surviving in Denver, of all places.

"It's been a great experience, D'Antoni maintained. "The thing is, I'm not the head coach. Sitting over about six inches on the bench makes a big difference. I'm not the one who has to face the media after each game, face

E CAME to Denver as its director of player personnel — a talent guru. "But I found that I missed coaching." D'Antoni said. In November, he was on the verge of accepting a lucrative offer to return to Europe as head coach of Barcelona. That's when the Nuggets offered him a front-row seat to what might be the most horrible NBA story ever told.

"Some sniping goes on, and rightly so, because the players don't want to get blamed for it," he said of the team's record. "It gets ugly."

The Nuggets are planning to rebuild next summer with \$15 million for free agents plus three first-round draft picks.

New York Times/Edited by Will Shortz

Solution to Puzzle of Jan. 24-25

But where D'Antoni comes from, no such long-term planning would be considered. In Europe, the coaches and front-office staff would likely have been fired dozens of losses ago. "That's because if you lose in Europe, you drop down to a lower division and your club

may never recover," he said. Wherever D'Antoni coaches in the future, be it the NBA or Europe, he will always be able to know that it couldn't possibly be as bad as a team with a .070

winning percentage.

"All we need," he said, " is a five-game win streak."

lan Thomsen is a senior writer for Sports Illustrated magazine.

With Bourque Out for a Hit, **Bruins Lose**

Ray Bourque was ejected for an illegal his on Jaromir Jagr, who then assisted on one of Kevin Hatcher's two goals as the Pittshurgh Penguins beat the Boston Bruins, 4-2.

Ron Francis became the 11th player in NHL history with 1,400 career points when he assisted on Stu Barnes's goal to make it 1-0 with 7.2 seconds left in the first period on Thursday night in Bos-

NHL BOUNDUP

ton. The goal came during a five-minute power play after Bourque checked Jagr from behind, sending him head-first into the boards behind the net. Bourque received a game misconduct — the first ejection in his 19-year career. Without their top defenseman, the Bruins could not hold on, and Tom Barrasso stopped 29 shots to keep the Penguins unbeaten in their last six games.

Senators 2, Rangers 2 Ottawa outshot visiting New York 17-2 in the first period and 41-22 overall, but settled for a tie thanks to the superb goaltending by the Rangers' Mike Richter, Shawn McEachern led Ottawa with shorthanded and power-play goals, his 14th and 15th of the season

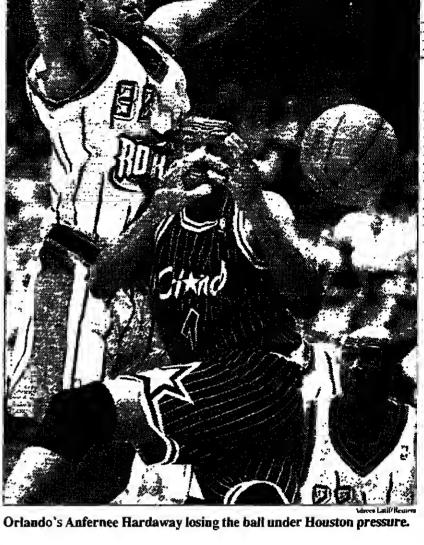
Canadiens 3, Flyers 2 Andy Moog made 32 saves as Montreal fought off a third-period rally by the Flyers to win and extend its longest road unbeaten streak in 16 years to nine.

Panthers 3, Stars 2 Dave Gagner and Dino Ciccarelli scored power-play goals to lift host Florida over Dallas, snapping the Stars' five-game winning streak.

Blues 2, Maple Leafs 0 In St. Louis, Grant Fuhr made 23 saves as the Blues beat Toronto in Brett Hull's return game. After missing 13 games with a broken left hand, Hull made a quiet return to the lineup with three shots and no goals.

Blackhawks 3, Sharks 0 Jeff Hackett stopped 29 shots and three different players scored goals as visiting Chicago defeated San Jose.

Kings 5, Flames 3 Luc Robitaille had two assists to become the 51st player in NHL history with 1,000 career points. and defenseman Roh Blake tied a career high with four assists as Los Angeles beat visiting Calgary. Rohitaille, an 11year veteran, assisted on a goal hy Ray Ferraro that tied the score and ignited a four-goal second period. He also set up a goal by Craig Johnson with 4:47 re-



Hawks Swoop on 76ers

Smith Scores 33 Points as Atlanta Wins, 109-99

The Associated Press

Steve Smith scored 33 points, including four in the final 31 seconds of regulation and six in overtime, as the Atlanta Hawks heat the Philadelphia 76ers, 109-99.

The Hawks, who are 5-1 in overtime this season, scored the first nine points of the extra period Thursday night. Smith's shot from the corner gave At

NBA ROUNDUP

lanta its first lead of the game, and he added four more points. Mookie Blaylock made a three-point play as the Hawks raced to a 105-94 lead.

Derrick Coleman led the visiting 76ers with 24 points and 11 rebounds. Bucks 115, Knicks 112 In New York, Michael Curry's follow shot with five seconds left in overtime gave the Milwankee its fourth straight victory.

Glenn Rohinson scored 39 points and Ray Allen had 26 for Milwaukee, including a game-tying 3-pointer with five seconds remaining in regulation. Terrell Brandon added 22 points and 10 assists for the Bucks.

John Starks made a club-record nine 3-pointers and scored 32 points to lead the Knicks. Allan Houston added a season-high 28 points and Chris Dudley

had 11 rebounds for New York. Magic 95, Rockets 88 Penny Hardaway had 11 points and five assists in his first game since Dec. 6 as visiting Orlando snapped a seven-game losing streak. Hardaway, sidelined for eight weeks with a knee injury that required surgery, didn't start but played 31 minutes. The All-Star guard missed seven of eight shots from the field, but was

9-for-10 from the foul line and had two steals and two blocks.

Raptors 84, Nuggets 80 In Denver, Damon Stoudamire scored 22 points, including the final four of the game, as Toronto extended its winning streak to four games. The loss extended Denver's home losing streak to a franchise-record 11 games.

Marcus Camby had 16 points for the Rapiors, who won despite scoring just 10 points in the fourth quarter, LaPhonso Ellis had 18 points to lead the Nuggets. SuperSonics 109, Warriors 97 In

Seattle, Gary Payton scored 30 points and Vin Baker had 19 points and 12 rebounds to lead the SuperSonics to their 12th straight victory over Golden State. Donyell Marshall scored 18 points for Golden State. Joe Smith, the Warriors' leading scorer with a 17-point average, was held to nine.

Bulls 100, Trail Blazers 87 Michael Jordan scored 29 points, including three fadeaway jumpers in the final 31/2 minutes, as Chicago overcame an early 19-point deficit to beat host Portland.

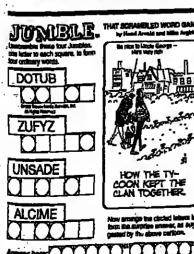
Scottie Pippen scored 18 points and Ron Harper had 17 for the Bulls, who have won six of seven. Dennis Rodman had 20 rehounds as Chicago dominated the boards, 47-38.

Timberwolves 112, Grizzlice 106 In Vancouver, Stephon Marbury scored 31 points as Minnesota beat the Grizzlies. Sam Mitchell, who finished with 21 points, scored eight straight in the final three minutes.

Already minus Tom Gugliotta, who sprained his left knee in Tuesday's victory over Atlanta, the Timberwolves losi guard Chris Carr eight minutes into the game with a sprained left ankle.

DENNIS THE MENACE





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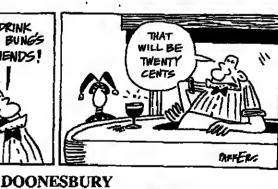




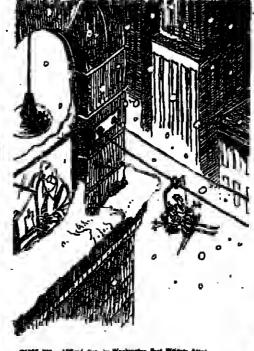
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NON SEQUITUR











DAVE BARRY

Watch Out for Shaving Cream

Women do not

looks in the same

way that men do.

think of their

MIAMI — If you're a man, at some point a woman will ask you how 'How do I look?'' sbe'll ask.

You must be careful how you answer this question. The best technique is to form an honest yet sensitive opinion. then collapse on the floor with some kind of fatal seizure. Trust me, this is the easiest way out. Because you will never come up with the right answer.

The problem is that women generally do not think of their looks in the same way that men do. Most men form an opinion of how they look in seventh grade, and they stick to it for the rest of their lives. Some men form the opinion that they are irresistible stud muffins, and they do not change this opinion even when their faces sag and their noses bloat to the size of eggplants and their eyebrows grow together to form what appears to be a giant foreheaddwelling tropical caterpillar.

Most men, I believe, think of themselves as average-looking. Men will think this even if their faces cause beart

failure in cattle at a range of 300 yards. Being average does not bother them; average is fine, for men. This is wby men never ask anybody how they look. Their primary form of beauty care is to shave themselves, which is es-

sentially the same form of beauty care that they give to their lawns. If, at the end of his four-minute daily beauty regimen, a man bas managed to wipe most of the sbaving cream out of his hair and is not bleeding too badly, he feels that he has done all he can, so he stops thinking about his appearance and devotes bis mind to more critical issues, such as the Saper Bowl.

Women do not look at themselves this way. If I had to express, in three words, what I believe most women think about their appearance, those words would be: "not good enough." No matter bow attractive a woman may appear to be to others, when she looks at berself in the mirror, she thinks: woof. She thinks that at any moment a municipal animal-control officer is going to throw a net over her and haul her off to the shelter.

Why do women have such low selfesteem? There are many complex psychological and societal reasons, by which I mean Barbie. Girls grow up playing with a doll proportioned such that, if it were a human, it would be seven feet tall and weigh 81 pounds, of which 53 pounds would be bosoms. This is a difficult appearance standard to live up to, especially when you contrast it with the standard set for little boys by their dolls . . . excuse me, by their action figures. Most of the action figures that my son played with when he was little were hideous-looking. For example, he

was very fond of an action figure (part of the He-Man series) called "Buzz-Off," who was part buman, part flying insect. Buzz-Off was not a looker. But he was extremely self-confident. You could not imagine Buzz-Off saying to the other action figures: "Do you think these wings make my hips look big?"

But women grow up thinking they need to look like Barbie. I once saw an Oprah show wherein supermodel Cindy Crawford dispensed makeup tips to the studio audience. Cindy had all these middle-aged women applying beauty products to their faces; she stressed how important it was to apply them in a certain way, using the tips of their fingers. All the women dutifully did this, even though it was obvious to any sane observer that, no matter how carefully they applied these products, they would never look re-motely like Cindy Crawford.

I'm not saying that men are superior.
I'm just saying that you're not going to get a group of middle-aged men to sit in a room and apply cosmetics to themselves under the instruction of Brad Pitt, in

hopes of looking more like him. Men would realize that this task was pointless and demeaning. They would find some way to bolster their self-esteem that did not require looking like Brad Pitt. They would say to Brad: "Oh YEAH? Well what do you know about

LAWN CARE, pretty boy?" Of course many women will argue that the reason they become obsessed with trying to look like Cindy Crawford is that men, being as shallow as a drop of spit, WANT women to look that way.

To which I have two responses:

1. Hey, just because WE'RE idiots, that doesn't mean YOU have to be:

2. Men don't even notice 97 percent of the beauty efforts you make anyway. Take fingernails. The average woman spends 5,000 hours per year worrying about ber fingernails; I have never once, in more than 40 years of listening to men talk about women, heard a man say. "She has a nice set of fingernails!"

Anyway, to get back to my original point If you're a man, and a woman asks you how she looks, you're in hig trouble. Obviously, you can't say she looks bad. But you also can't say that sbe looks great, because she'll think you're lying, because she bas spent countless hours, with the help of the multibillion-dollar beauty industry, obsessing about the differences between herself and Cindy Crawford.

Also, she suspects that you're not qualified to judge anybody's appearance. This is because you have shaving cream in your hair.

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An Intimate 19th-Century Look at the 18th.

PARIS — A bome that became a museum, a museum that hopes to resemble a bome: The Musee Nissim de Camondo on the edge of the Parc Monceau is an intimate monument to the late 18th century seen through the lens of the late 19th. Its Louis XVI furnishings are a reference point to scholars and collectors; its atmosphere is remin-iscent of cigar smoke and starched shirtfronts. Belle Epoque banquets, carriages in the stables and children in the garden dressed in white. A safe world. although there were already cracks in it.

The Camondo cousins, Isaac and Moise, were very much a part of late 19th-century Paris society which had grown to include the hanking world in which the family had for generations thrived. They

MARY BLUME

joined such clubs as would accept them, entertained lavishly, collected fashionably (the Goncourt brothers had launched the 18th-century revival as well as participating discreetly in another fashion, anti-Semitism), and found it unsurprising that the Paris gratin was willing to forget their origins in order to stag hunt or sboot at their country seats.

As a collector, Isaac de Camondo (1851-1911) ranged wider than his consin, Moise, becoming the talk of the town in 1881, when he spent record sums at the three-day Baroo Double sales, collecting not only 18th-century furniture and paintings by Watteau and Fragonard, but also such moderns as Monet, Cezanne and more than 30 works by Degas. He gave his collection to the Lonvre on his death, causing the museum to bend its rule about not accepting artists' works unless they had been dead for 10 years. Moise de Camondo (1860-1935) concentrated on the late 18th century and it is his house that is the Nissim de Camondo museum today.

In recent months hy coincidence two books have appeared on a family known more for its collections than its members: Pierre Assouline's "Le Dernier des Camondo" (Gallimard), a popular history based mostly on secondary sources, and the more scholarly. 'Les Camondo ou l'eclipse d'une fortune' (Actes Sud) by Nora Seni and one of the museum's archivists. Sophie le Tarnec.

In the few months since the books were published, attendance at the museum has doubled to 6,000 a month, according to its chief curator, Marie-Noel de Gary, and a new catalogue is at the printer's. Moise expressed the wish that everything remain in place, a wish that has been followed insofar as this is possible when a private space becomes public.

It was in Constantinople that the Camondos first thrived in the 18th century, part of the Sephardic community that began to settle there after the expulsion from Spain in 1492. Despite the many restrictions and sumptuary laws that all minorities were subject to (Armenians had to wear deep purple, Greeks black, Jews blue), they moved from trade into banking, founding their own bank in 1802 and greatly enriching the Sublime Porte as well as themselves.

They gave generously to charity, even building a nagogue, since destroyed, in Lindos on the island of Rhodes, developed an entire section of Constantinople and, subject because of their religioo to an innate sense of transience, had an alert eye for the pleasing as well as the profitable. They were known as the Rothschilds of the East.

Banned from Turkish citizenship, they became briefly Austrian and then Italian citizens and counts by fiat of Victor Emmanuel II while still living in

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Lieutenant Nissim de Camondo.

Turkey. Paris, where they already had husines connections and had spent several seasons, seemed a logical next step and in 1869 the patriarch, Abraham, moved the family there despite his great age.

For Abraham the move was simply part of the family tradition of displacement and an opportunity to share in a vibrant financial scene. Social advancement was part of business success and adapting to circumstances was in his blood. Once in Paris, be quickly saw that Smyrna rugs would not do and ordered Persian carpets instead, as well as a large clock with allegorical figures representing prosper-ity. When he died in 1873 there was a funeral in Paris and a larger one in Constantinople, where all the city mourned, bells solled, two battalions formed an bonor guard and the bourse closed down for the day.

His snn, Isaac, and nephew, Moise, inherited property on the newly fashionable Plaine Moncean and a very different world. They made no attempt to become French citizens - centuries of wandering made notions of citizenship irrelevant - but they did become urgently Parisian. Softer than Abraham, they had no need to build a fortune but simply to

manage and gently augment what they bad.

They believed they could forget history and settle down. Unlike Abraham, they had no need to impress: They were accepted, within the familiar limits. When Edouard Drumont published his virulent "La France juive," they probably shrugged off such commeots as, "One might smile to hear of the Count de Camondo or the Baron de Hirsch, hut one be-

comes accustomed to it, almost. Isaac described himself on his hunting permit as a landowner rather than a banker, which was classier and true. Although his father in his will had urged him to marry and carry on the family name, Isaac remained a bachelor with an eye for dancing girls and neglected to legitimize his two sons, who died without issue.

His apartment on the Champs-Elysees was a showplace, with art from Japanese prints to a Georges de La Tour. He adored music, helping to back the operas "Lonise" and "Pelleas et Melisande," and his own composition, "The Clown" was performed with Geraldine Farrar in the leading role. Some critics compared it to Richard Stranss but the social leader Madame de Greffulhe wrote him that there could have been cuts in the second act

Moise, blind in one eye from a hunting accident. was less convivial by nature but as worldly as his position required. Balding and 31 years old, he made a marriage more reasonable than sensible to a beautiful 18-year-old heiress, Irene Cahen d'Anvers. She brought him a dowry of 1,050,000 francs, bore him a son. Nissim (which translates as miracle), and a daughter. Bearrice, and ran off with Moise's Italian

As convention required after their divorce. Moise resigned from several of his clubs. He traveled. hunted, drove in a Paris-Berlin automobile race under his chauffeur's name, and spent more and more time creating a fine new bouse at 63 Rue de Monceau. Long an experi collector of Louis XV transitional and Louis XVI furniture and decorative arts, he commissioned the architect Rene Sergent to build a suitable frame for his collection. The model was the Petit Trianon.

The project was to have state-of-the-art modern conveniences in a perfectly convincing 18th-century setting. It was a treasure house but also a home for Moise and the children. The contents were, and are, stunning but — except for the tableware which Catherine the Great had made for Gregory Orloff rarely showy. A small rolltop desk by Oeben is one of the outstanding beauties, as is the 'Buffon' Sevres porcelain, all the carpets and tapestries, and the small bonheur-dn-jour table by Carlin with Sevres plaques that took Moise's scouts years to track down. For a treasure house it is curiously livable.

After three years of constant work, the house was finished. It was 1914 and young, affable Nissim signed up at once. He wrote loving letters to "Mon papa cheri," gave him news of society ladies' borses' performances under gunfire, asked for a cookbook since he had successfully improvised a macaroni au gratin for his men, and was given a camera by his father so that be could become a reconnaissance pilot. He died in combat in 1917 and Proust wrote Moise a condolence letter in which he could not forbear mentioning his own poorish health. In 1918 Beatrice married a member of the dis-

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tinguished scholarly Reinach family and in 1923 moved with her children into her own house. Undone by grief at Nissim's death, Moise continued to collect and resolved in 1924 to make his house into a museum in memory of his son. Moise died in 1935 and the museum was inaugurated the following year, its furniture and Nissim's photographs left as they had been.

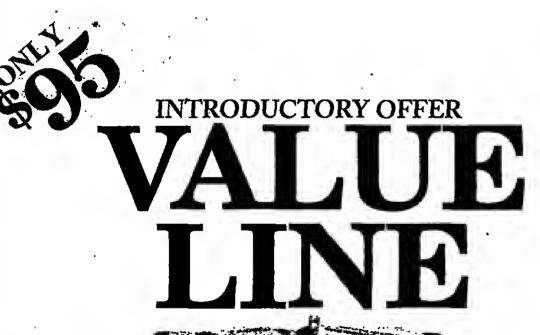
During World War II, Beatrice, fatally convinced

that she was French, her brother having died for his country and her father and unele having been among France's greatest benefactors, continued to ride in fashionable meets, a yellow star fixed to her well-cut jacket. The museum survived undamaged because it was state, rather than private Jewish, property.

"All those who really know 18th-century furniture come here," says de Gary. "They are the true descendants." The only descendants, as a plaque indicates when one leaves this warm and wonderful house:

'Mme. Leon Reinach, born Beatrice de Camondo, her children, Fanny and Bertrand, the last descendants of the foonder, and M. Leon Reinach, deported by the Germans in 1943-44, died at Auschwitz."

PEOPLE



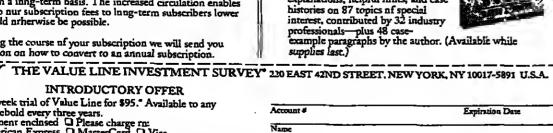
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convenient guide features special explanations, helpful hints, and case

group's current tour of the United States, the singer was reported to have told an interviewer on the Los Angeles radio station KROQ: "Breaking up after the tnur snunds probably right. I am bored with being a rock star, as the people on the other side of the fence are bored with it. We are going to have the rest of the year off, then next year we might make another record and see how popular we are." The group, which did not sell all the tickets for its Los Angeles concert, moves on to Dallas over the weekend. A spokesman for the group's record company, Creation, said Oasis had always planned to take six months off when the tour ends in April.

THE guitarist and sungwriter Noel

Gallagher wants a hreak from Oa-

sis, because he says he is bored with

being a rock star, British press reports said on Friday. During a break in the

Bohhy Brown was reduced to tears in a Fort Lauderdale, Florida, courtroom as he was sentenced to jail for drunken driving. The musician was on trial after crashing his black Porsche into hedges and a street sign in Hollywood, south of Fort Lauderdale, in 1996. He broke four rihs and a foot in the wreck. Brown was ordered to spend five days in jail and undergo drug and alcohol treatment. He was released on \$15,000 bond while his lawyers appeal.

The home Bill Gates built in Medina, Washington, apparently has some hugs to be ironed out. "I brought up a hig screen in my bedroom and for some reason the system stopped working," the Microsoft chief said. "It was just sitting there shining. And I wanted to go to sleep. . . . So finally I had to get a hlanket and put it over the screen." The



Bobby Brown in the courtroom.

nnderground garage, an indoor spa, a 100-visitor reception hall and a \$1.4 million caretaker's residence.

Madonna's hlack satin bras will go on sale at an auction in New York, as well as a Bob Marley guitar and Timothy Leary's bashish pipe. Christie's is selling more than 200 items formerly owned by celebrities on Feh. 4. Other lots include original sheet music of the Beatles and Rolling Stones, a leather shirt that once belonged to Jimmy Hendrix and Duke Ellington's

Keiko, the whale who starred in 'Free Willy," has been given a clean mansion took seven years to build and features a 20-seat theater, a pool with underwater music, its own pier, a 20-car

is no current indication that Keiko is ill," an independent panel of marine mammal experts said. The U.S. Department of Agriculture assembled the attraction of the Oregon Coast Aquarium in Newport. The Free Willy Foundation, which owns the killer whale, hopes to move him to an ocean pen as early as this fall and eventually release Keiko into the wild.

Queen Beatrix of the Netherlands will celebrate her 60th birthday on Saturday, surrounded by a host of royals from around the world. About 160 guests were due to arrive on Friday for three days of festivities. Among those helping the queen celebrate are Prince Charles of Britain, King Juan Carlos of Spain, King Albert of Belgium, Queen Margrethe of Denmark and King Harald of Norway.

Gerhard Brunner, a former Vienna Opera Ballet director, has been asked to oversee controversial plans to merge the hallet companies of the three Berlin op-eras. The Berlin regional culture min-ister, Peter Radunski, said Brunner would start his new job in February. The hallets belong to the Staatsoper. Deutsche Oper and Komische Oper. Under the plan, the ballets would merge into two companies, one for modern dance and one for classical dance, but the project is opposed by the three operas.

William . A flying cluh is upset about Michael Jackson's plans for a \$500 million amusement park at a former military airport in Warsaw. Although the Defense Ministry has agreed to the sale, part of the airport is used by the civilian Aeroclub, which apparently doesn't want to close or move. Negotiations are

Hot Young Author a No-Show at PEN Reading

By David Streitfeld

WASHINGTON—A131, Sherman Alexie is one of the hottest new writers on the scene — the author of 10 well-regarded books of fiction and poetry, a novice filmmaker who just won two awards at the Sundance festival, a

self-described "ticked-off Indian." Alexie has now managed to tick off some other penple, too. He refused to show up for the PEN/Faulkner reading series Friday, one of the most prominent venues for novelists in the United

"This has never happened to us be-re." said Patricia Griffith, PEN/ Faulkner's president, noting that in 15 years the series has bosted more than 150 writers, including Pulitzer, National Book Award and Nobel winners.

"We're disappointed and fairly angry about it," she added. "He ob-

viously felt like this was too much to do, but he might have let us know."

The novelist, who returned a phone call from his Seattle home Thursday evening, sounded apologetic. "I'm a horrible person. This is all my fault. I'm completely irresponsible and completely exhausted. I'm more irresponsible than 150 other writers put together." He also said he was ill.

Alexie had been on a double hill with another well-regarded young writer, Allegra Goodman, author of "The Family Markowitz." A week ago, when it became clear that Alexie wasn't going to return phone calls, the PEN/Fanlkner board asked Alice McDermott, author of the well-received new novel "Chas-ing Billy," if she would stand in. She agreed, so the show will go on.

Judy Hottensen, Alexie's publicist, said be had been "extremely preoceupied" with bis low-budget film "Smoke Signals." "He was the star of

the festival. I think he got waylaid." "Smoke Signals," produced by Alexie and adapted from one of his stories, won the audience award as the most popular film at Sundance last weekend. Competing filmmakers also voted the favorite dramatic movie.

PEN/Faulkner brings about a dozen writers a year to Washington in its benefit series. The money raised goes to help pay for the PEN/Faulkner Award, given each spring. In addition to reading before as many as 500 people, the visiting writers talk to students at a local high school.

Earlier this month, Alexie received a laudatory profile in the New York Times Magazine. His hell-raising years were behind him, he said. "I'm sober I'm married to an Indian woman, I have a stable family life, I'm polite. I've become a good role model.

Thursday, he said he would send "a donation to PEN/Faulkner in lieu of my appearance."

